

**CAUTIONARY NOTE:**

Please note that the June 30, 2005 financial information in this Confidential Information Memorandum was based upon preliminary financial information. The June 30, 2005 financial information is in the process of being revised and updated financial information will be posted on this website when available (currently anticipated to occur in mid-November 2005).



# Confidential Information Memorandum

July 2005



*Joint Placement Agents*



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This Information Memorandum (the "Memorandum") has been prepared solely for informational purposes. This Memorandum is being furnished to assist prospective investors in purchasing securities of ICO North America ("ICO" or the "Company"), which is a wholly-owned subsidiary of ICO Global Communications (Holdings) Ltd. (the "Parent").

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the transactions contemplated hereby or determined if this Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

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## Forward Looking Statements

This Memorandum contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about ICO's beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend," or similar expressions.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on management's beliefs and assumptions, which in turn are based on currently available information. These assumptions could prove inaccurate, which could cause actual results that differ materially from those contained in any forward-looking statement. Forward-looking statements also involve risks and uncertainties. Many of these factors are beyond ICO's ability to control or predict and such inaccuracy could be material. Such factors include, but are not limited to, the following:

- ICO's 2 GHz MSS authorization is subject to significant implementation milestones
- ICO is subject to significant U.S. and international governmental regulation
- ICO's expectation of increased spectrum assignment may not materialize
- ICO has not yet applied for ATC authorization
- ICO's use of the 2 GHz band is subject to successful relocation of incumbent users
- ICO intends to seek authorization to change its satellite orbital slot
- Success of ICO's business plan depends on its ability to form strategic partnerships to develop its system under the constraints of various regulatory requirements
- ICO is a development stage company with no operating revenues
- Risks associated with ICO's business plan
- There are significant risks associated with launching and operating the satellite contemplated under ICO's business plan
- Technological risks
- ICO has no operating cash flow and will need additional liquidity to fund its operations and fully fund all necessary capital expenditures
- ICO is expected to incur significant losses in the near term
- Spectrum values historically have been volatile
- ATC spectrum access is limited by technological factors
- Any changes in control of ICO are subject to prior FCC approval
- ICO may face significant competition from companies that are larger or have greater resources
- ICO may not be able to develop, acquire and maintain proprietary information and intellectual property rights necessary to maintain its operations and future growth
- ICO faces burdens relating to the recent trend toward stricter corporate governance and financial reporting standards
- ICO is dependent on key personnel
- Deferred tax liability
- Lack of revenue generating operations
- Potential tax liability
- Legal proceedings and expenses
- The Company does not generate sufficient cash to repay the Notes or to fund its interest obligations
- The Company's substantial indebtedness could adversely affect its ability to execute its business plan and to obtain additional financing
- The Company may not have the ability to finance the change of control repurchase offer required by the indenture governing the Notes
- There is no public market for the Notes or for the ICO common stock issuable upon conversion, and there cannot be any assurance that a market for the Notes or for the ICO common stock will develop
- Resale of the Notes and the common stock issuable upon conversion of the Notes is restricted
- Interests of holders of the Notes may conflict with the interests of the Parent's controlling stockholder
- The ability to foreclose on the collateral may be limited by applicable bankruptcy laws and on the rules and regulations of the FCC

ICO believes the forward-looking statements in this Memorandum are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date of this Memorandum, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

All communications or inquiries relating to this Memorandum or to a possible transaction involving the Company must be directed to Jefferies or UBS. Each recipient of this Memorandum agrees not to directly contact any personnel of the Company under any circumstances.

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# I. Executive Summary

## Overview

ICO North America, Inc. ("ICO" or the "Company") is a next-generation mobile satellite service ("MSS") operator with a unique and valuable opportunity to offer ubiquitous satellite and terrestrial wireless services throughout the United States. The Federal Communications Commission ("FCC") has recently authorized MSS operators to use MSS spectrum terrestrially to provide integrated mobile satellite-terrestrial service offerings. ICO is building an advanced hybrid satellite-terrestrial system designed to provide voice, data and Internet services with handsets similar to existing cellular phones. This system is expected to enable ICO to offer integrated satellite and terrestrial mobile services and is expected to be operational in July 2007. ICO's business model includes the ability to offer its services to strategic service providers who can incorporate ICO's capabilities to offer integrated satellite and terrestrial services to their customers. ICO is actively engaged in pursuing numerous strategic partner alliances.

The Company's system will be supported by nationwide spectrum granted to it by the FCC. ICO has already been granted 8 MHz of spectrum and could potentially be granted up to 20 MHz.

ICO is a wholly-owned subsidiary of ICO Global Communications (Holdings) Limited (the "Parent") (OTC: ICOHA), which is authorized to operate a global Medium Earth Orbit ("MEO") satellite system. Wireless industry pioneer Craig McCaw, together with other key shareholders, have invested over \$1.2 billion in the Parent since May 2000. This investment continues Craig McCaw's vision of extending wireless communications with satellite capabilities.

## Market Opportunity

The wireless sector has been among the strongest growth sectors in the communications industry. With continued subscriber growth and the rapid roll-out of bandwidth-intensive applications, such growth is expected to continue in the U.S. Forecasts for the next five years anticipate:

- 75% increase in total wireless voice minutes of use ("MOUs");
- 50 million new wireless subscribers; and
- A four-fold increase in data revenues driven by bandwidth-intensive wireless applications such as pictures, video, MP3s, email and games.

As a result of this dramatic growth of wireless traffic, to maintain even the current capacity levels, wireless service providers will likely need to vastly increase their network capacity.

### *ATC Authorization*

Despite MSS operators' broad geographic coverage and emergency service capabilities, they have struggled to gain mass-market penetration and profitability. This is due to the limited urban service coverage and large handset size of legacy systems. In order to create a more efficient use for satellite spectrum, encourage the broad deployment of advanced satellite services and improve industry economics, in February 2003, the FCC adopted an order giving MSS operators authority to integrate an ancillary terrestrial component ("ATC") into their networks, and thus use their assigned MSS spectrum for terrestrial and satellite use. On February 25, 2005, the FCC reaffirmed its earlier decision in support of MSS operators. In addition, in June 2005, the last wireless carriers withdrew legal challenges to the FCC's ATC decisions. These events essentially eliminated any regulatory uncertainty with ATC policy and ensured that consumers would benefit from a combined satellite and terrestrial service offering.

### *The ICO MSS/ATC System*

ICO intends to capitalize on the rapid growth of the wireless sector and the recent FCC reaffirmation of ATC by building a hybrid satellite-terrestrial system (the "ICO MSS/ATC System") to offer ubiquitous satellite and terrestrial wireless service throughout the U.S. The ICO MSS/ATC System is being designed to support a full set of mass-market service offerings including voice, video, Internet, public safety and telematics. The system is expected to support any existing and future wireless protocols including GSM, CDMA, OFDM and TCP/IP. In addition, the system is being designed to utilize handsets that are similar in size and function to existing cellular phones.

ICO's integrated satellite-terrestrial service is expected to facilitate the delivery of sophisticated voice and data services to urban and rural customers, and to address growing national security and public safety service needs by providing a redundant service offering to existing terrestrial networks.

The Company's geostationary satellite application for U.S. coverage was approved in May 2005. In anticipation of this approval, on January 10, 2005, the Company entered into a contract with Space Systems/Loral, Inc. ("SS/L") for construction of the GEO satellite and is currently in discussions with vendors regarding the build-out of the other components of the system. SS/L completed the satellite critical design review in May 2005 and is currently on schedule to meet future FCC milestones. In addition, SS/L has begun the physical construction of the GEO satellite with the entire system expected to be operational by the FCC's July 17, 2007 deadline. The Company may form strategic partnerships with terrestrial carriers who will leverage their existing customer bases and assets to roll-out mass-market wireless services.

ICO's system is being designed to utilize at least the 8 MHz of nationwide spectrum already granted to it by the FCC in the 2 GHz band, representing 2.4 billion MHz POPs. In addition, on June 29, 2005, the FCC issued a public notice of its intent to grant an additional 5.33 MHz of 2 GHz spectrum to ICO, which the Company believes it is likely to receive in the next several months. The FCC also issued a separate notice to distribute an additional 6.67 MHz of 2 GHz

spectrum to ICO. As a result, the Company's aggregate spectrum holding is expected to be 13.33 MHz and could be 20 MHz.

### *Competitive Advantages*

The Company believes that its system should be able to leverage the following competitive advantages to capitalize on the growing demand for wireless services:

- ICO MSS/ATC System designed to support full portfolio of mass-market wireless services
- Nationwide integrated satellite-terrestrial service enabling ubiquitous coverage
- Handsets similar to current cellular phones
- Proximity to PCS spectrum and flexible architecture facilitates integration with terrestrial partner
- Management and equity sponsors have significant satellite and cellular/PCS experience

### *Equity Sponsors*

The Parent's significant equity sponsors include wireless pioneer Craig McCaw (through Eagle River Investments) and Clayton, Dubilier & Rice. In 2000, Eagle River led a \$1.2 billion investment to acquire the Parent and develop a global MEO system. This investment continues Craig McCaw's vision of extending wireless communications with satellite capabilities. Craig McCaw is an active investor in wireless communications with current investments in Nextel Communications and Clearwire Corporation (a leading U.S. based provider of wireless broadband services). Clayton, Dubilier & Rice has made investments totaling over \$5 billion to date and is one of the oldest and most respected private equity investment firms in the world.

## Transaction Summary

ICO is seeking to raise \$400 million in Convertible Senior Secured Notes to fund a portion of the costs to develop the ICO MSS/ATC System. These costs include the construction and launch of a GEO satellite and a related ground system. The Company expects the notes to be secured on a first-priority basis by substantially all of the Company's assets with the exception of a carve-out for a working capital facility. The notes will be convertible at the holder's option into shares of common stock of the Company and under certain circumstances will be convertible at the holder's option into shares of common stock of the Parent.

### *Sources and Uses of Funds*

The Company expects that the total funding needed to complete the MSS portion of the ICO MSS/ATC System will be approximately \$600 million, excluding interest expense. The system is expected to be completed in July 2007. In addition, construction of a ground spare satellite will be initiated upon execution of a strategic partnership for the terrestrial component. This spare satellite is estimated to cost \$175 to \$225 million and is required to be available one year after the launch of ATC services. The \$400 million (less fees and escrowed interest) of capital raised through this offering is expected to fund the Company's cash requirements through the third quarter of 2006.

To date, the Parent's contributions to the Company have been in the form of equity. As of July 1, 2005 any further contributions from the Parent will be in the form of inter-company loans which will be repaid in full with the proceeds from this offering.

Sources	Uses
New Convertible Senior Secured Notes .. \$ 400.0	Investment into MSS/ATC System ..... \$ 325.0
	Escrowed Interest ..... 57.5
	Fees and Expenses ..... 17.5
Total Sources ..... <u>\$ 400.0</u>	Total Uses ..... <u>\$ 400.0</u>

### Pro Forma Capitalization

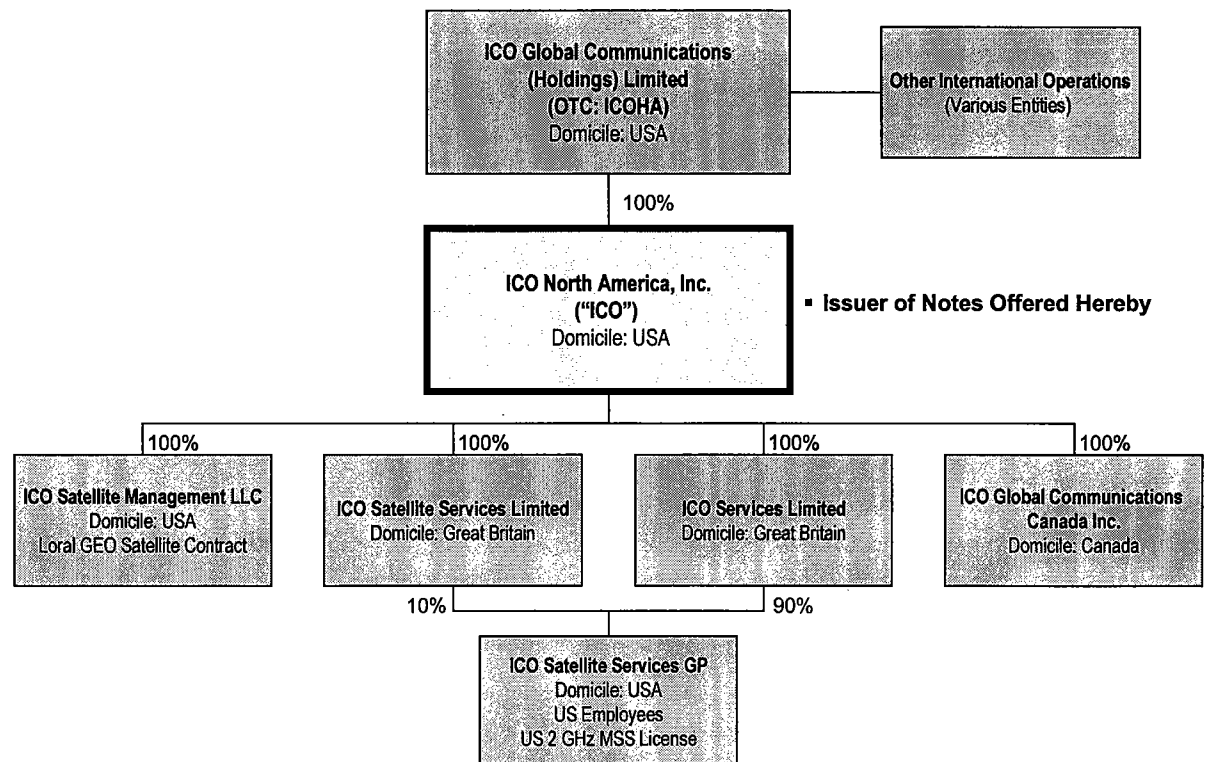
The following table sets forth the pro forma capitalization as of June 30, 2005. Escrowed interest will be kept solely for the use of paying the first four semi-annual coupon payments related to this offering.

	As of June 30, 2005	
	As Adjusted <sup>(1)</sup>	Pro Forma
	(Unaudited)	
Cash and Cash Equivalents.....	\$ 1.1	\$ 326.1
Escrowed Interest.....	-	57.5
<b>Long-term Debt:</b>		
Convertible Senior Secured Notes.....	-	400.0
Total Debt.....	-	400.0
Shareholders' Equity.....	11.3	11.3
<b>Total Capitalization.....</b>	<b>\$ 11.3</b>	<b>\$ 411.3</b>

(1) As adjusted for inter-company transactions.

### Corporate Structure

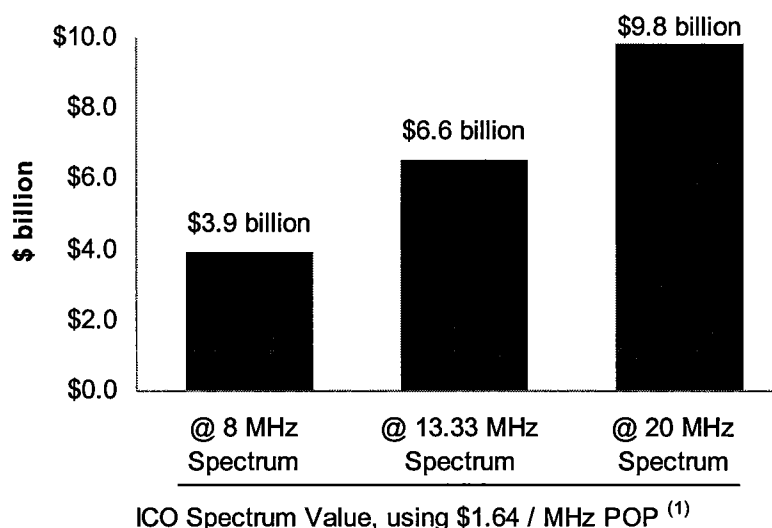
The following chart illustrates the Company's corporate structure as of June 30, 2005.



## II. Investment Highlights

**Potential for Up To 20 MHz of Nationwide Spectrum Offering Ubiquitous Coverage.** ICO has the potential to receive up to 20 MHz of nationwide 2 GHz spectrum. The FCC has already assigned ICO 8 MHz in the 2 GHz spectrum band. This authorization allows the Company to serve the entire U.S., Puerto Rico and U.S. Virgin Islands, which collectively represent approximately 300 million POPs. As a result of recent FCC actions, the Company believes it is likely to have 13.33 MHz (4.0 billion MHz POPs) in the next several months and could ultimately be granted 20 MHz (6.0 billion MHz POPs).

**Access to Spectrum Could Enhance Value of ICO.** ICO should be an attractive partner to communications and media providers. Recent large U.S. spectrum transactions in the 1.9 GHz band have established a median valuation of \$1.64 per MHz POP. Using this valuation benchmark, the value of ICO could be enhanced by \$4 billion to \$10 billion depending on the amount of 2 GHz spectrum ultimately assigned to ICO.



**Growing Demand For Wireless Capacity Drives Value.** The wireless sector has been and is expected to remain among the strongest growth sectors in the communications industry. Analyst forecasts for the next five years anticipate:

- 75% increase in total wireless voice MOUs;
- 50 million new wireless subscribers; and
- A four-fold increase in data revenues driven by bandwidth-intensive wireless applications such as pictures, video, MP3s, email and games.

(1) \$1.64 / MHz POP represents median valuation of recent large transactions. See section IV for additional information on spectrum valuation.

**2 GHz Band Benefits.** The Company's position in the 2 GHz spectrum band provides several benefits including:

- Position adjacent to the existing PCS band, which may facilitate integration with existing PCS networks and systems
- No other service providers interleaved within the band, substantially reducing the potential for interference
- Fixed spectrum range, without the need for periodic adjustment

**Terrestrial Spectrum Usage Re-Affirmed by the FCC.** On February 25, 2005, the FCC reaffirmed its decision to allow MSS operators to integrate ATC into their mobile satellite service. In June 2005, representatives of the terrestrial wireless industry also voluntarily terminated judicial challenges to the FCC's ATC decisions, effectively eliminating any regulatory uncertainty surrounding ATC policy.

**First Mover Advantage.** The Company is uniquely positioned to satisfy the growing demand for wireless services. ICO anticipates to be the first to offer integrated MSS/ATC services in the 2 GHz band. This first-mover advantage is expected to be critical in attracting valuable strategic partners.

**Experienced Management Team.** ICO's senior executives have substantial experience in the satellite and cellular/PCS communications industry each with approximately 16 years of experience on average. The senior management team has worked together at ICO for over three years. Craig Jorgens, President, has more than 13 years of wireless experience including senior level positions at Vodafone/AirTouch and Texas Pacific Group. David Bagley, Senior Vice President, Corporate Development, has more than 18 years of telecommunications experience including senior level positions at SBC, Vodafone/AirTouch, and IPWireless.

Senior Management Team			
Name	Position	Industry Experience	ICO Experience
Craig Jorgens .....	President	13	4
David Bagley.....	Senior Vice President, Corporate Development	18	3
Bob Day .....	Senior Vice President, Space Systems	25	5
Suzanne Hutchings Malloy .....	Senior Vice President, Regulatory Affairs	14	5
Dennis Schmitt.....	Chief Financial Officer	10	3

**Strong Equity Sponsorship.** The Parent's significant equity sponsors include wireless pioneer Craig McCaw (through Eagle River Investments) and Clayton, Dubilier & Rice. In 2000, Eagle River led a \$1.2 billion investment to acquire the Parent and develop a global MEO system. This investment continues Craig McCaw's vision of extending wireless communications with satellite capabilities. Craig McCaw is an active investor in wireless communications with current investments in Nextel Communications and Clearwire Corporation (a leading U.S. based provider of wireless broadband services). Clayton, Dubilier & Rice has made investments totaling over \$5 billion to date and is one of the oldest and most respected private equity investment firms in the world.



### III. Offering Summary [PROVIDED SEPARATELY]

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## IV. Demand and Market Opportunity

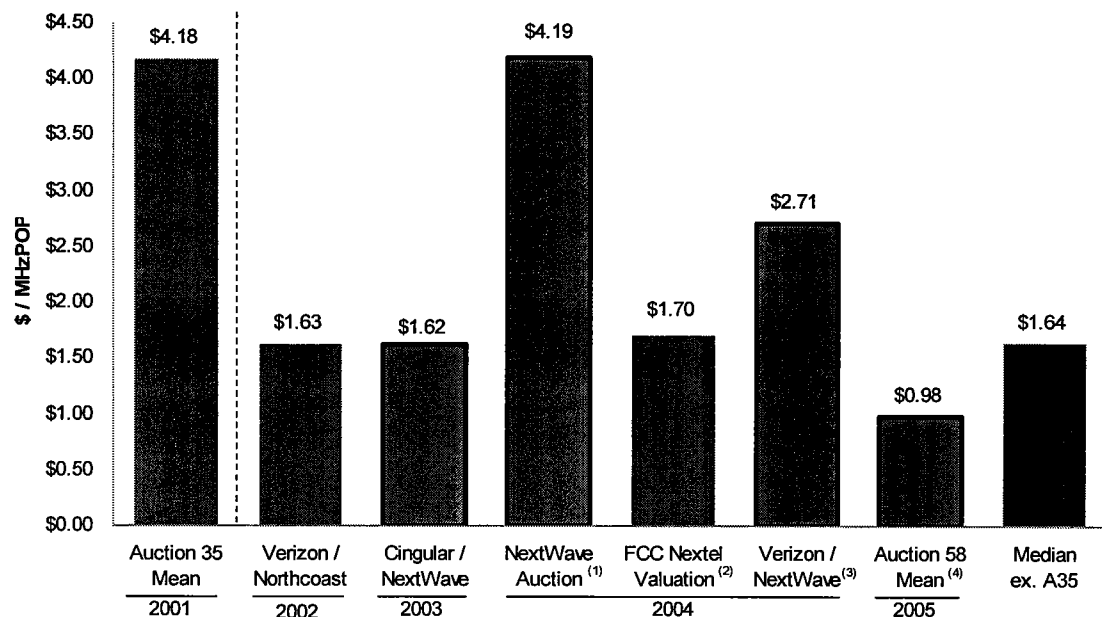
ICO represents a unique opportunity to offer both mass-market terrestrial wireless services and advanced satellite solutions. The Company's hybrid network, supported by its attractive spectrum, is expected to attract multiple strategic partners, including mobile telephony carriers, cable TV, satellite TV, and satellite radio service providers, among others. Existing and potential providers of mobile telecommunications services presently face a significant need for additional capacity, driven by rapid subscriber growth, increasing usage and accelerating adoption of mobile video, data and other high-bandwidth data applications. The wireless sector has been and is expected to remain among the strongest growth sectors in the communications industry.

### Attractive Spectrum Enhances System Capabilities

The Company believes that its system, supported by up to 20 MHz of spectrum in the 2 GHz band, should be highly attractive given its proximity to PCS spectrum in the 1.9 GHz band.

PCS spectrum values have historically been volatile; however, recent large U.S. spectrum transactions have established a median valuation of approximately \$1.64 per MHz POP. Figure 4.1 below shows the price per MHz POP paid for PCS spectrum in various sales and auctions.

**Figure 4.1 – Recent Spectrum Values**

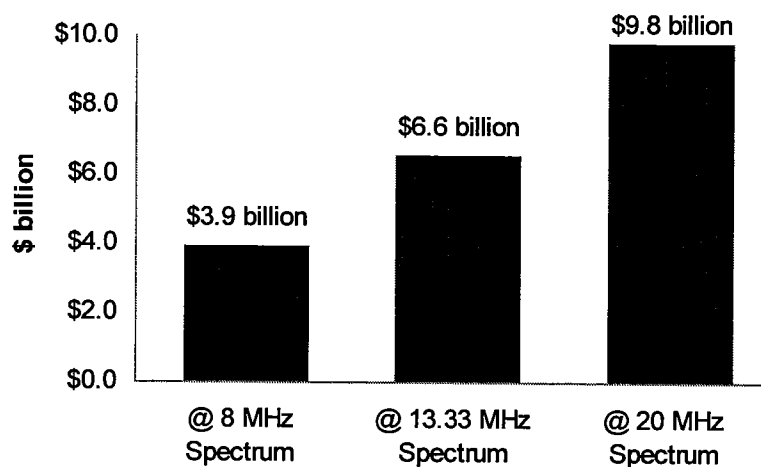


Source: FCC filings, company press releases, SEC filings and 2002 Kagan Databook

- (1) NextWave auction included NYC bought by Verizon, and two other markets in Florida bought by MetroPCS
- (2) Three other valuations were submitted to the FCC ranging from \$1.26 to \$1.82; these are included in the median value calculation
- (3) Verizon/NextWave deal included several large markets including NYC, Los Angeles, and Philadelphia
- (4) More than 70% of the licenses in Auction 58 were for markets with less than 1 million POPs

ICO could potentially attract multiple strategic partners looking to add incremental wireless capabilities and capacity. As shown in Figure 4.2, ICO's value could be enhanced by \$4 billion to \$10 billion depending on final spectrum awarded and using a valuation of \$1.64 per MHz POP (the median spectrum value established by recent large U.S. spectrum transactions in the 1.9 GHz band).

Figure 4.2 – Spectrum Enhances ICO's Value



ICO Spectrum Value, using \$1.64 / MHz POP

## Demand Drivers for ICO's Capabilities

Numerous trends point to continued growth in wireless demand and valuations:

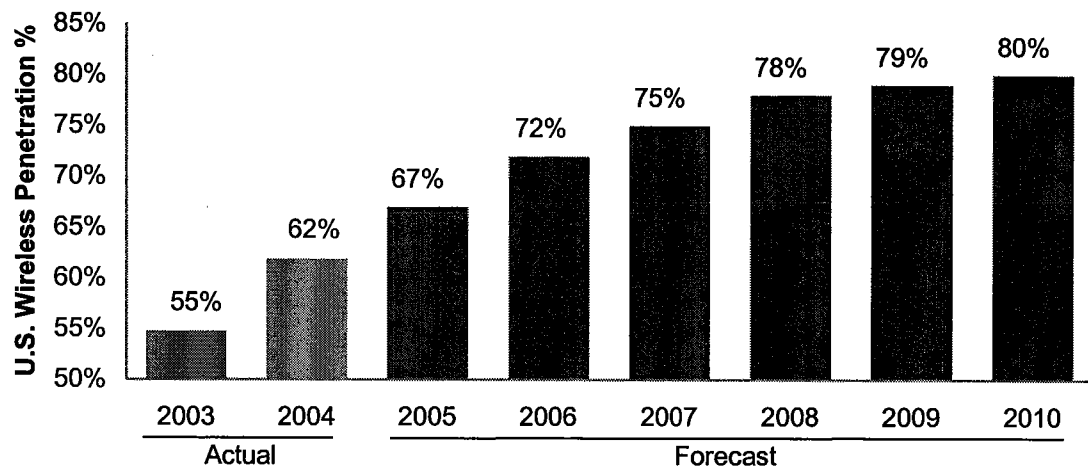
- Growth in wireless subscriber base
- Growth in wireless voice usage per subscriber
- Rapid proliferation of bandwidth-intensive wireless data applications (e.g., pictures, video, MP3 downloads, Internet, email messages, etc.)

### *Continued Subscriber Growth*

The U.S. wireless industry has shown strong growth over the last decade, a trend that is expected to continue:

- Wireless penetration expected to reach 80% by 2010
- Increase of nearly 50 million subscribers

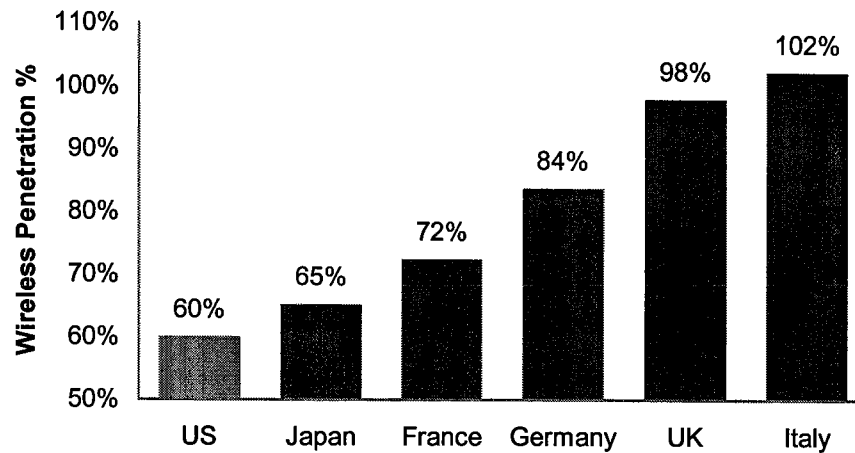
**Figure 4.3 – Increasing U.S. Wireless Penetration**



Source: Wall Street Research

Despite the projected rapid growth in the U.S. wireless industry, U.S. wireless penetration will continue to remain below current penetration in Western Europe, as shown in Figure 4.4.

**Figure 4.4 – U.S. Relatively Under-Penetrated; Significant Growth Expected**



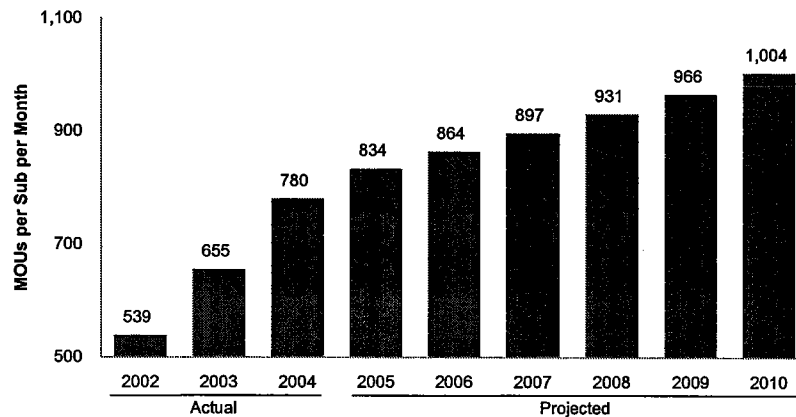
Source: Gartner, Inc., 2004

Another trend contributing to wireless growth is the increasing number of users who replace their wireline phone with a wireless handset as their primary phone (commonly referred to as wireline substitution), a process which is facilitated by the portability of phone numbers between wireline and wireless networks. According to a recent FCC report, the number of wireless subscribers has now for the first time surpassed the number of wireline connections in the U.S.

### Usage Growth Per Subscriber

Demand for wireless capacity will also be fueled by increasing wireless usage per subscriber. As price competition and technology advancement have lowered cost of service, customer voice usage has demonstrated steep growth, with voice MOUs per subscriber increasing by 45% from 2002 to 2004. An additional increase of 30% is projected by 2010, as shown in Figure 4.5. Wireless phones already account for a large proportion of long-distance calls made and are increasingly being used as the primary phone.

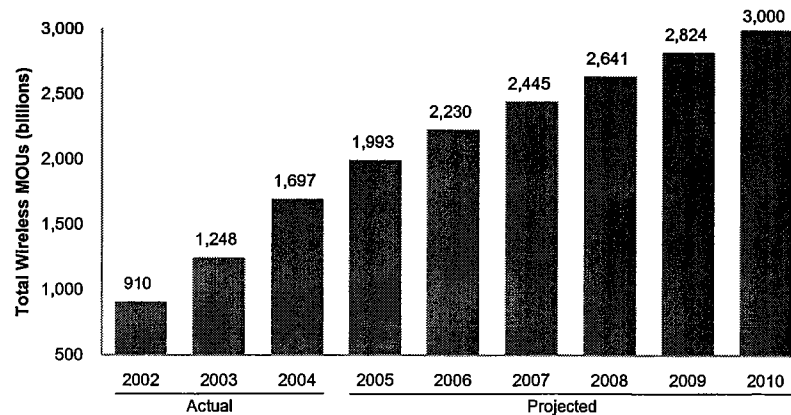
**Figure 4.5 – Substantial Projected Growth in Voice Minutes of Use Per Subscriber**



Source: Wall Street Research

Increasing voice MOUs per subscriber, coupled with growth in the overall subscriber base are expected to result in an approximately 50% increase in overall wireless voice usage by 2010, as shown in Figure 4.6.

**Figure 4.6 – Projected Growth of Total Voice MOUs**

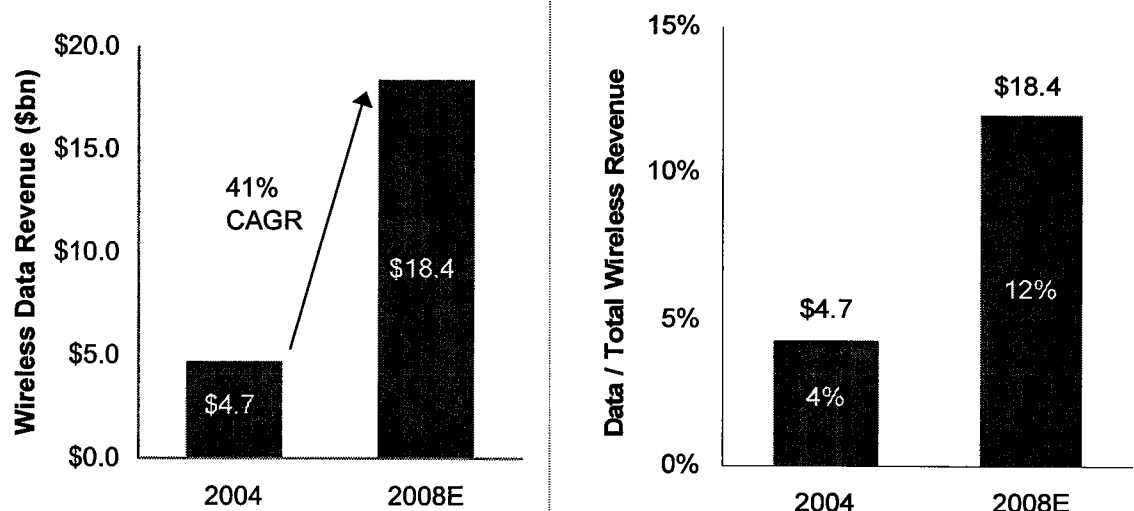


Source: Wall Street Research

### Rapidly Increasing Broadband Data Applications

The proliferation of broadband data applications should also substantially increase demand for wireless capacity. As shown in Figure 4.7, revenues from data services are expected to increase approximately four-fold between 2004 and 2008, increasing from \$4.7 billion to \$18.4 billion. These revenues are projected to grow to 12% of total wireless revenue by 2008. Data applications, such as web surfing, pictures, games, text/email messaging and ring tones require significantly more network capacity than voice traffic. Many of the newer features such as downloading MP3 files and video clips are especially bandwidth-intensive. To meet increasing user demand for data applications, carriers are accelerating the roll-out of evolution-data-only ("EV-DO") and other next-generation broadband technologies, putting additional strain on available wireless network capacity.

Figure 4.7 – Four-Fold Projected Data Revenue Growth



Source: Gartner, 2004

### Next-Generation Wireless Applications Rapidly Emerging

Many emerging wireless applications are likely to drive demand for greater wireless capacity.

- Wireless broadband – as laptops become smaller and PDAs (such as Blackberries or Treos) improve in functionality, demand for mobile wireless broadband applications is expected to increase. This trend is evident in the rapid rollout of broadband technologies and applications by carriers like Verizon, Cingular and Sprint. In addition, the rising popularity of Wi-Fi and Wi-Max devices further contribute to this trend.
- Mobile broadcast – as carriers roll-out mobile radio and video broadcast services, demand for wireless capacity is likely to increase.

## Potential Strategic Partners

Increasing demand for and limited supply of wireless capacity should make ICO's services highly attractive to numerous existing and potential wireless carriers. ICO intends to seek strategic partnerships with current or potential wireless service providers who need to:

- Augment their current system capacity
- Expand their network footprint
- Offer telematics and other value-added satellite-based solutions
- Introduce wireless capability to their product portfolio

The Company believes that its ability to leverage its ubiquitous nationwide mobile satellite service in conjunction with a terrestrial network will be in high demand by both existing players and new entrants. The Company expects to attract a significant number of companies interested in partnering with ICO, including, but not limited to:



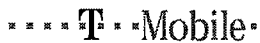



- Cellular and PCS providers
  - Verizon Wireless
  - Sprint / Nextel
  - Cingular
  - T-Mobile
  - Vodafone
  - Others, such as Alltel and U.S. Cellular
- Satellite radio providers
  - XM
  - Sirius
- Cable TV service providers
  - Comcast
  - Cox
  - Time Warner
  - Cablevision
- Satellite TV service providers
  - DirecTV
  - EchoStar
- Wireless broadband providers



## Cellular and PCS Providers

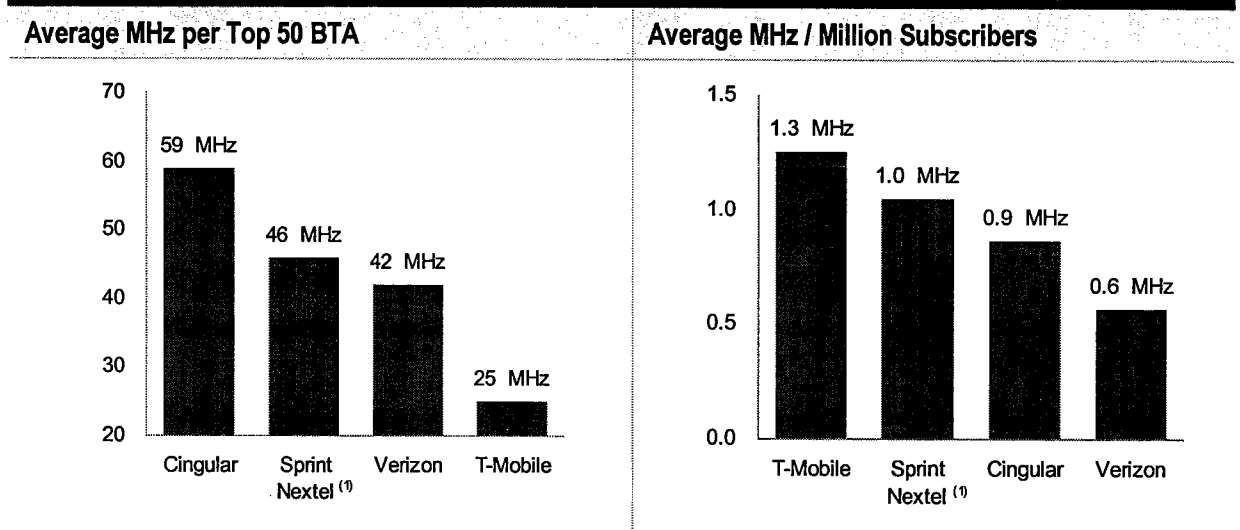
Because of increasing bandwidth requirements, existing wireless carriers represent the most likely ICO partners. The Company offers these carriers a unique opportunity to access an advanced, hybrid network supported by nationwide spectrum in a single band to facilitate ubiquitous coverage. The proximity of ICO's spectrum to existing PCS spectrum may facilitate integration with existing terrestrial wireless networks and systems. The ICO MSS/ATC System is designed to support services that use dual-mode handsets similar to existing cellular phones, but with the added capability of satellite service.

**Figure 4.8 – Potential Strategic Cellular/PCS Partners**

	<ul style="list-style-type: none"> <li>■ Prominent user/acquirer of PCS spectrum</li> <li>■ Significant financial flexibility</li> <li>■ Continued EV-DO roll-out would require significant spectrum capacity</li> <li>■ Strong proponent that aggregate capacity demands will increase in future</li> </ul>
	<ul style="list-style-type: none"> <li>■ Additional spectrum would allow for aggressive expansion of wholesaling strategy</li> <li>■ Planned EV-DO roll-out would require significant spectrum capacity</li> </ul>
	<ul style="list-style-type: none"> <li>■ Announced dedicated budget for spectrum purchase in the U.S.</li> <li>■ Least spectrum among national carriers</li> </ul>
	<ul style="list-style-type: none"> <li>■ Largest U.S. wireless operator</li> <li>■ Planned 3G roll-out would require significant spectrum capacity</li> </ul>
	<ul style="list-style-type: none"> <li>■ World's largest carrier with strong ability to integrate acquisitions</li> <li>■ Ideally would prefer control over nationwide U.S. carrier</li> </ul>
	<ul style="list-style-type: none"> <li>■ May be interested in expanding their services</li> <li>■ Potentially interested in regional components</li> </ul>

Available spectrum varies greatly among existing carriers. As shown in Figure 4.9, Cingular has the strongest spectrum position in the top markets, while other carriers need significantly more spectrum to compete effectively. However, the strength of the carriers' existing spectrum position and their spectrum need is also related to their respective subscriber bases and their expected growth. As shown in Figure 4.9, Verizon has the weakest spectrum position per subscriber as well as a weaker average spectrum holding in top markets.

**Figure 4.9 – Relative Spectrum Position of National Wireless Carriers**

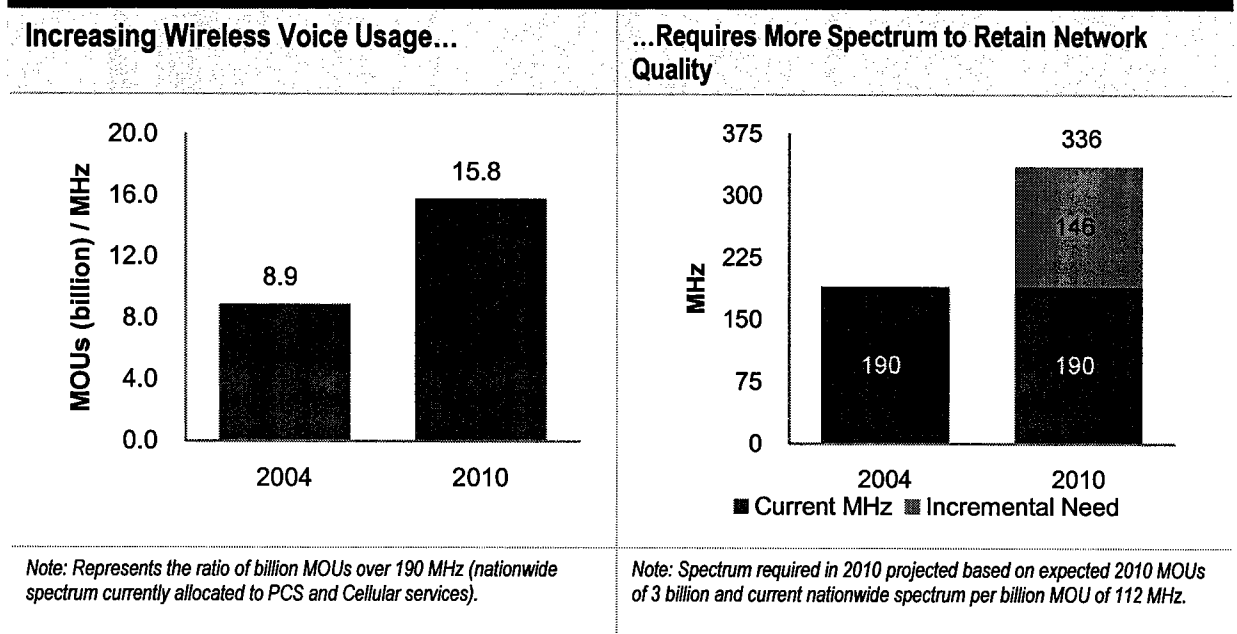


Source: FCC documents and SEC filings

(1) Pro forma for proposed merger; assumes Nextel has 20 MHz in each market pro forma for its Consensus Plan.

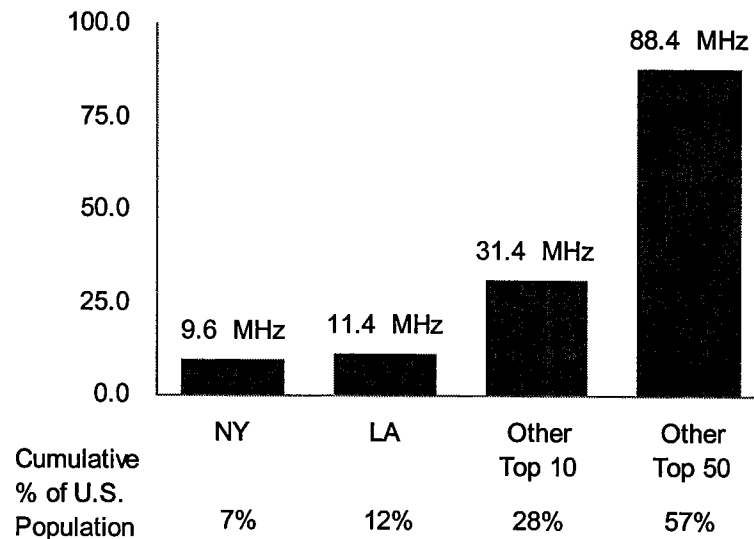
Demand for wireless capacity will increase as wireless usage continues to grow. Unless wireless carriers add additional capacity, total voice MOUs per current MHz are projected to increase by more than 75% by 2010, as shown in Figure 4.10. Growth in voice usage alone would require the wireless industry to add approximately 150 MHz of additional spectrum nationwide to maintain the current ratio of available spectrum to MOUs. Rapid growth in data usage could also create the need for additional wireless capacity. In comparison to this projected U.S. spectrum demand, today European nations already have an average of 250 to 300 MHz of spectrum.

**Figure 4.10 – Demand for Wireless Voice Capacity**



Typically, spectrum limitation problems are accentuated in densely populated urban areas. These areas have the same spectrum allocation as the rest of the country, even though they have significantly higher population and thus higher total wireless usage (as shown in Figure 4.11). These urban areas typically represent the future trend for the rest of the country in terms of wireless usage and spectrum requirements.

**Figure 4.11 – Urban Networks Already Strained**



Source: FCC filings, company press releases, 2002 Kagan Databook

### Satellite Radio Service Providers



Satellite radio has grown immensely over the last few years. The two largest players, XM and Sirius, are locked in heated competition, utilizing 12 MHz of spectrum each in the 2320-2345 MHz band. Access to ICO's system and capacity in the nearby 2 GHz band could give one party a decisive competitive advantage. This added capacity would allow these providers to continue to expand their product offerings, possibly on the local or regional level where customers can be targeted with focused content. The ICO MSS/ATC System also could facilitate these companies' growing interest in mobile radio broadcast over cellular phones as well as video and data offerings. Satellite radio providers also could benefit from the return path capability provided by the ICO MSS/ATC System. ICO's system could also support the new application of providing customized traffic and telemetry information to consumer vehicles.

### *Cable TV Providers*



TimeWarner **CABLEVISION**

Cable providers are increasingly focused on “bundling” products — most commonly, the so-called “triple-play” offering of fixed-voice, broadband and video. With the use of ICO’s MSS/ATC System, cable providers could augment this current strategy to form a “quadruple-play” bundle (with the addition of mobile voice/data). Such an offering could be highly attractive to consumers who wish to have an integrated, easy-to-use, single-bill experience. Another factor driving cable companies’ interest in wireless is competition from local telephone companies expanding into the cable TV market. The quadruple-play strategy could help mitigate this threat.

### *Satellite TV Providers*



Similar to cable companies, satellite TV providers could also be interested in partnering with ICO to offer a wireless telephony service and thereby better position themselves against cable and phone companies. In addition, the ICO MSS/ATC System is also attractive to satellite TV providers as it provides them with an alternative return path capability and allows them to strengthen their interactive service offerings.

### *Wireless Broadband Providers*



**clearw're**  
wireless broadband

Wireless is expected to become an increasingly popular medium to provide broadband Internet services, both on stationary and mobile bases. This trend is already evident in the rising popularity of Wi-Fi and Wi-Max devices and is expected to be further enhanced by the increasing functionality of broadband-enabled wireless PDAs and other devices. ICO could provide wireless broadband providers with access to an advanced system and an opportunity to expand their service footprint.

## V. Potential Wireless Capacity Expansion

The rapid growth of digital voice and data traffic over existing networks has heightened demand for wireless capacity. Carriers have historically met these demands through network expansion or spectrum acquisition. There are a number of new business opportunities that may meet this growing demand. Beginning in 2007, carriers could have the option to improve and expand their service offering by partnering with MSS/ATC operators. The FCC is also expected to auction additional spectrum on a market by market basis. However, the timing and certainty of use remains unclear.

The Company believes that it is well positioned to satisfy market demand for wireless services for the following reasons:

- ICO MSS/ATC System designed to support full portfolio of mass-market wireless services
- Nationwide integrated satellite-terrestrial service enabling ubiquitous coverage
- Handsets similar to current cellular phones
- Proximity to PCS spectrum and flexible architecture facilitates integration with terrestrial partner

## Potential MSS/ATC Providers

In order to assist MSS operators in overcoming service coverage and legacy economic limitations, the FCC adopted an order allowing MSS operators to integrate ATC into their networks and develop the capability to offer ubiquitous national coverage. There are currently three ATC-eligible MSS spectrum bands authorized by the FCC: 2 GHz band, L – Band and Big LEO band. These spectrum bands exhibit marked differences in frequency location, bandwidth and interference issues. The 2 GHz band is attractive due to its proximity to PCS spectrum, up to 40 MHz allocation and lack of interference.

**Figure 5.1 – Timing and Considerations for MSS/ATC Services**

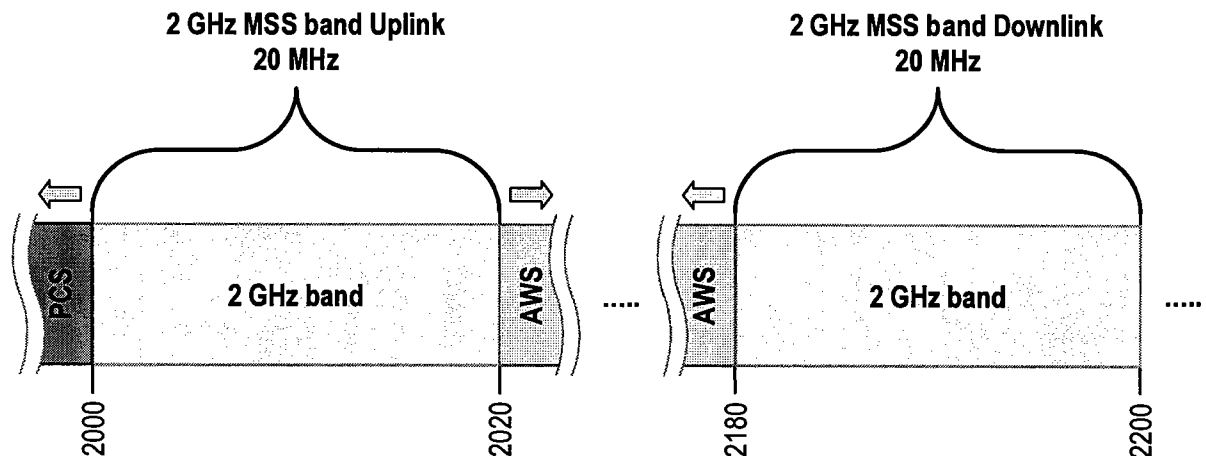
Spectrum	MHz of Spectrum	Expected Availability	Considerations
2 GHz			
ICO North America	Up to 20 MHz	2007	■ Fixed, unshared nationwide spectrum ■ Next to PCS band
TerreStar	Up to 20 MHz	2008	
L – Band			
MSV	Up to 28 MHz	Immediately	■ Subject to in-band interference ■ Periodic frequency and bandwidth re-allocation
Inmarsat	Up to 20 MHz	Indicated Interest	
Big LEO			
Globalstar	Up to 11 MHz	Applied	■ Limited capacity ■ Wide up/down frequency differential
Iridium	NA	NA	

## 2 GHz MSS Band

The 2 GHz MSS spectrum band is composed of 40 MHz, with 20 MHz in the 2000-2020 MHz band for uplink and 20 MHz in the 2180-2200 MHz band for downlink. Currently only ICO and TMI (TerreStar) hold valid 2 GHz MSS spectrum assignments of 8 MHz each. On June 29, 2005, the FCC issued a public notice of its intent to grant an additional 5.33 MHz of 2 GHz spectrum to both companies and an additional notice stating its intention to potentially distribute another 6.67 MHz of 2 GHz spectrum to both ICO and TerreStar, among other options, and sought comment on these actions as well.

Based on current satellite milestone delivery schedules, ICO is positioned to be the first provider of ATC services in the 2 GHz band. According to FCC rules, the first 2 GHz MSS provider certified as operational has the right to choose where in the 40 MHz of spectrum it would like to operate.

Figure 5.2 – 2 GHz MSS Spectrum Band



2 GHz MSS operators will be granted assignments within a fixed spectrum range. In addition, because the 2 GHz band is adjacent to the PCS band, there is no practical difference between propagation for the PCS and 2 GHz band, which may facilitate the integration of the PCS and 2 GHz networks.

The 2 GHz band is currently occupied by broadcast auxiliary service, cable television relay service and local television transmission service (collectively "BAS") in the uplink (2000-2020 MHz) and by commercial and private fixed wireless services ("FS") in the downlink (2180-2200 MHz). In connection with the granting of 2 GHz spectrum, the FCC has mandated that new operators using 2 GHz spectrum pay for the relocation of BAS and FS operators. However, as a result of a recent FCC ruling, Nextel Communications, Inc. is proceeding with the relocation of the BAS provider in the 2 GHz uplink band. Nextel may seek reimbursement from 2 GHz MSS licensees. MSS operators will be required to relocate the limited number of FS incumbents in the downlink.

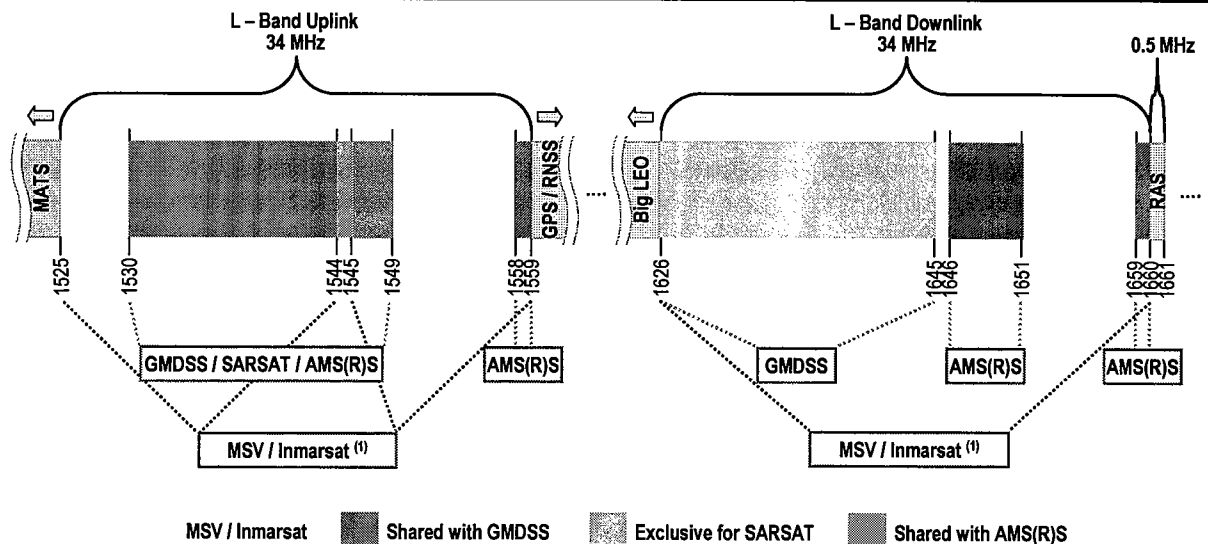


## L – Band

There are currently two entities that have U.S. authorization to provide MSS service in the L – Band – MSV and Inmarsat. MSV is the only MSS provider, in any band to date, to have received ATC approval. Due to power constraints and antenna size with its current satellite, FCC rules require that MSV include a peripheral device with any handset that is sold in order to ensure that end users can communicate directly with the MSV satellite. When MSV's next-generation satellite begins operation, the existing handset is expected to be capable of communicating with the satellite without the peripheral device. Inmarsat operates a global MSS system and has announced its intent to launch a satellite in late 2005 that will have geographic coverage of the U.S. Inmarsat has announced its intention to apply for ATC authorization.

The L – Band MSS spectrum band is 1525-1544 MHz and 1545-1559 MHz for uplink and 1626.5-1646.5 MHz and 1646.5-1660.5 MHz bands for downlink. The precise frequency assignments for the operators within the MSS L – Band are subject to confidentiality under the Mexico City Memorandum of Understanding ("MCMoU"). This is an agreement between Mexico, Canada, the U.S. and Russia to periodically redistribute the amount of spectrum in this band. In addition, there are several services that operate within and adjacent to the L – Band MSS spectrum, including global positioning service ("GPS"), Aeronautical Terrestrial Service, Aeronautical Mobile Satellite (Route) Service ("AMS(R)S"), Global Maritime Distress and Safety System ("GMDSS"), Search and Rescue Satellite service ("SARSAT"), Radio Astronomy Service ("RAS") and Mobile Aeronautical Telemetry ("MATS"). These services must be protected and in some cases given priority.

**Figure 5.3 – Significant Interleaving and Potential Interference in L – Band**



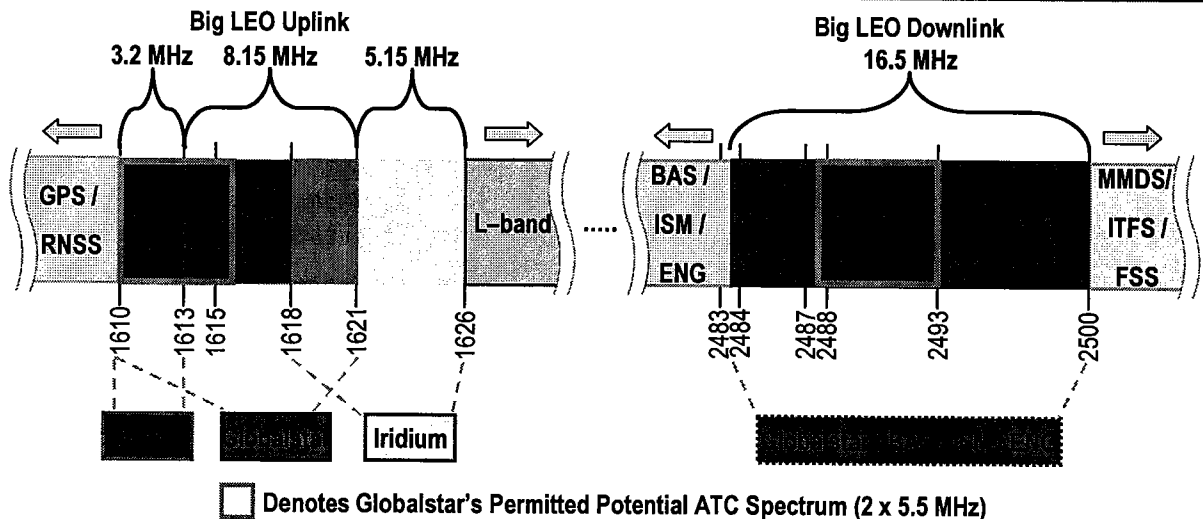
(1) Due to confidentiality agreements in place, the exact frequency location of MSV and Inmarsat are not confirmed.

### Big LEO Band

Globalstar and Iridium are both licensed and operational in the Big LEO band, however only Globalstar is able to provide ATC. Globalstar may operate MSS from 1610-1621.35 (11.35 MHz) and 2483.5-2500 MHz (16.5 MHz), but it must share a significant portion of this spectrum with other services. For instance, 1618.25-1621.35 MHz is shared with Iridium and 2495-2500 MHz is shared with FS. Of this spectrum, Globalstar can use 11 MHz for ATC.

In 1994, the FCC allocated the 33 MHz of spectrum to the Big LEO MSS operators. The uplink band is adjacent to U.S. GPS and the Russian Global Navigation Satellite System ("RNSS"). The downlink band is shared with and adjacent to industrial scientific and medical equipment ("ISM"), BAS, electronic news gathering ("ENG") equipment and fixed microwave services. At 2500 MHz, Big LEO is also adjacent to multi-point distribution service/instructional television fixed service ("MMDS/ITFS") and fixed satellite services ("FSS").

Figure 5.4 – Big LEO Band



## Key Potential Auctions

The FCC has announced its intent to begin auctioning 115 MHz of reclaimed government spectrum for Advanced Wireless Services over time, starting in mid 2006, but has not yet specified an actual auction date. Another 60 MHz of spectrum is expected to be auctioned in the 700 MHz band, currently estimated for 2009. This band is primarily occupied by TV broadcasters who must first vacate the band and transition to digital transmission.

**Figure 5.5 – Timing and Considerations for Key Potential Auctions**

Spectrum	MHz of Spectrum	Expected Availability	Considerations
AWS	2x 45 MHz	Partial availability beginning 2006	■ Difficult to get nationwide coverage
	2x 5 MHz		■ Undefined timing and guidelines
	1x 15 MHz		■ DoD incumbents must be relocated
700 MHz	60 MHz	Potentially 2009	■ Timing uncertainty

### *Advanced Wireless Spectrum (“AWS”)*

The FCC is currently working to finalize service rules and auction additional spectrum for mobile wireless use, labeled AWS, which can be used to offer a variety of wireless services, including Third Generation (“3G”) mobile broadband and advanced terrestrial wireless services. In November 2003, the Commission created service rules for 90 MHz of AWS spectrum at 1710-1755 and 2110-2155 MHz. The Commission plans to commence auctioning this spectrum as early as June 2006. This spectrum will be licensed on a flexible use basis according to the band plan. 25 MHz of AWS at 1995-2000, 2020-2025 and 2165-2180 MHz will be auctioned by the FCC for terrestrial wireless services; its proximity to MSS offers the potential to develop handsets for both types of service at lower cost.

Portions of the 1710-1755 MHz spectrum band allocated for AWS are currently used by Federal Government entities, including the Department of Defense. In order to accommodate these federal users and make the band available for AWS, the FCC, in a September 2004 Report & Order, identified frequencies that will allow federal users to relocate their existing operations and addressed such relocation procedures. In December 2004, the U.S. Congress passed the Commercial Spectrum Enhancement Act, which established the Spectrum Relocation Fund and allows federal government users to be reimbursed for the costs they incur in relocating to different spectrum bands.

### *700 MHz*

The 700 MHz band consists of 60 MHz of spectrum in Blocks C and D in the Upper 700 MHz Bandplan, and Blocks A, B, and E in the Lower 700 MHz Bandplan. Under FCC rules, the sale of 700 MHz band spectrum by the federal government would start in December 2009 or when 85% of American households can receive digital broadcast signals (whichever is later).

## VI. Regulatory

### Background

MSS systems can provide communications service in areas where it is difficult or impossible to provide communications coverage via terrestrial base stations, such as remote or rural areas and non-coastal maritime regions. MSS operators historically have struggled to overcome significant signal penetration issues in densely populated urban areas, due to the fact that the satellite link is susceptible to blocking by structural attenuation. In order to help MSS operators address this problem, in February 2003, the FCC adopted an order giving MSS operators broad authority to integrate ATC into their networks and thus use their assigned spectrum to operate an integrated satellite-terrestrial service offering ubiquitous nationwide coverage.

The February 2003 FCC order is applicable to the 2 GHz band, the L – Band and the Big LEO band. On November 8, 2004, the FCC issued an order granting MSV the first authorization to provide ATC in conjunction with its MSS satellite services. On February 25, 2005, the FCC issued a revised set of ATC rules following a detailed multi-year reconsideration process examining the use of ATC (the rules expanded the technical and operational flexibility of ATC services). FCC authorizations to provide MSS service are subject to various regulatory milestones relating to the construction, launch, and operation of MSS satellites, which comprise the satellite system component of the integrated network. MSS operators must separately apply for ATC authorization and meet additional “gating criteria” as a pre-condition to applying for such an ATC authorization.

On May 24, 2005 the FCC modified ICO’s reservation of spectrum for the provision of MSS service from a non-geostationary-satellite-orbit (“NGSO”) satellite constellation to a single GEO satellite system authorized at 91° west longitude. As a result, the Company can proceed to apply for ATC authorization and execute its business plan to launch and operate an MSS satellite by July 17, 2007. The milestones the Company must achieve for final MSS regulatory approval include specific dates by which the satellite component of the integrated satellite and terrestrial voice and data nationwide network is required to be constructed, launched and operational.

To date, ICO has been granted authorization to provide mobile satellite service using 8 MHz of spectrum in the 2 GHz band with nationwide geographic coverage. This authorization covers the entire U.S., Puerto Rico and U.S. Virgin Islands. On June 29, 2005, the FCC issued a public notice of its intent to grant an additional 5.33 MHz of 2 GHz spectrum to both 2 GHz MSS operators for a total of 13.33 MHz each. The FCC also issued a separate notice to distribute an additional 6.67 MHz of 2 GHz spectrum to both of the current 2 GHz MSS operators, among other options, and sought comment on these actions.

## ATC Overview

ATC authorization enables the integration of a satellite-based service with terrestrial wireless services, resulting in a hybrid MSS/ATC network designed to provide advanced services and ubiquitous coverage throughout the U.S. The FCC regulates the ability to provide ATC-related services, and authorization for such use is predicated on the compliance with and achievement of various regulatory milestones relating to the construction, launch and operation of the underlying MSS satellite system. An MSS operator must separately seek authorization for ATC once it has met certain so-called "gating criteria" specified in FCC rules. ATC authorization requires an MSS operator to meet certain criteria and rules as summarized in Figure 6.1 below.

**Figure 6.1 – FCC Mandated ATC Gating Criteria and Key Rules**

- MSS operators must be able to provide substantial satellite service to be eligible for ATC authorization:
  - MSS systems must be capable of providing continuous satellite service
  - MSS coverage requirement is all 50 states, Puerto Rico and the U.S. Virgin Islands, if technically feasible
  - MSS operators must offer commercially available service (i.e. MSS service to the general public for a fee) throughout the mandatory geographic coverage area
- MSS operator can only use ATC within its satellite footprint and within its assigned spectrum
- ATC authorization requires a showing that MSS and ATC services are fully integrated either by:
  - Offering dual-mode MSS/ATC handsets for use with the MSS operator's service, or
  - Substantial showing demonstrating that the MSS operator offers an integrated MSS/ATC service
- Ground spare must be completed within one year of launch of the launch of ATC service
- ATC-only subscriptions are prohibited
- MSS operators can apply for ATC as an MSS licensee just prior to being operational, or earlier if an MSS operator can demonstrate that they will meet ATC requirements
- FCC expects to review the MSS operator's ATC application within 90 days of meeting ATC gating criteria
- ATC applications may be granted only after all the gating criteria are met

The FCC has specifically rejected requests from terrestrial carriers to impose restrictions on ATC services as outlined in Figure 6.2.

**Figure 6.2 – ATC Restrictions Rejected by the FCC**

- All MSS/ATC calls must be routed through a satellite
- MSS/ATC handsets must always attempt to communicate via the satellite first
- MSS operators must demonstrate a technical inability to serve the proposed ATC areas by satellite as a condition of ATC
- Additional fees for MSS operators who wish to provide ATC
- MSS/ATC operators must dedicate a certain amount of capacity exclusively for MSS

## 2 GHz MSS Band Overview

The FCC has made 40 MHz of spectrum available to MSS operators in the 2 GHz MSS band of spectrum known as the S – Band. In 2001, the FCC authorized eight entities: ICO, TMI (TerreStar), Mobile Communications Holding Inc. (MCHI), Constellation Communications Holdings, Inc. (CCHI), Boeing, Celsat America (“Celsat”), Iridium and Globalstar LP to provide S – Band MSS service, subject to each entity’s ability to achieve certain build-out and operational milestones. These milestone rules are intended to ensure the rapid delivery of service to the public and to prevent the “warehousing” of spectrum.

Because of their inability to meet certain milestone requirements, most 2 GHz MSS providers voluntarily relinquished their ATC authorizations or the FCC affirmatively revoked such authorizations. Currently, only ICO and TMI (TerreStar) hold valid 2 GHz MSS spectrum assignments of 8 MHz each. Because of the FCC’s recent reclamation of MSS spectrum from former licensees, ICO and TMI (TerreStar) each expect their MSS spectrum holdings to increase. On June 29, 2005, the FCC issued a public notice of its intent to grant 5.33 MHz to each current 2 GHz MSS operator and to potentially distribute an additional 6.67 MHz to each current 2 GHz MSS operator. The FCC has sought comment on these proposals and whether either is adopted is subject to further agency action.

**Figure 6.3 – Historical 2 GHz Regulatory Events**

Date	Event
July 2001 .....	2 GHz MSS licenses granted to ICO, MCHI, CCHI, Globalstar, Boeing, Iridium, Celsat and TMI (TerreStar)
January 2003 .....	MCHI, CCHI, Globalstar and TMI (TerreStar) licenses are canceled
June 2004 .....	TMI (TerreStar)’s license is reinstated
March 2005 .....	Boeing and Iridium licenses are surrendered
April 2005 .....	Celsat’s license is surrendered
May 2005 .....	ICO is granted its request to modify its reservation of 2 GHz MSS spectrum to provide for operation using a single GEO satellite instead of an NGSO constellation
June 2005 .....	FCC issued a public notice of its intent to grant a total of 13.33 MHz to each 2 GHz MSS operator and to potentially distribute an additional 6.67 MHz to each current 2 GHz MSS operator for a total of 20 MHz

### FCC MSS Milestones

The Company must meet certain FCC milestones in order to preserve its 2 GHz MSS authorization granted by the FCC.

**Figure 6.4 – ICO's MSS System FCC Milestones**

Date	Implementation Milestone
July 17, 2005.....	Commence coordination for the physical operation of the satellite
September 15, 2005 .....	Place order for traveling wave tube amplifiers
January 15, 2006 .....	Complete bus wire harness fabrication
March 1, 2006.....	Begin communication panel/payload integration
May 1, 2006 .....	Complete propulsion integration
July 1, 2006.....	Complete bus integration
July 17, 2006.....	Complete coordination for the physical operations of the satellite, and file any necessary modification applications
October 1, 2006 .....	Complete main body integration
January 1, 2007 .....	Complete reference performance test
March 1, 2007.....	Complete thermal vacuum test
July 1, 2007.....	Launch satellite
July 17, 2007.....	Certify system as operational



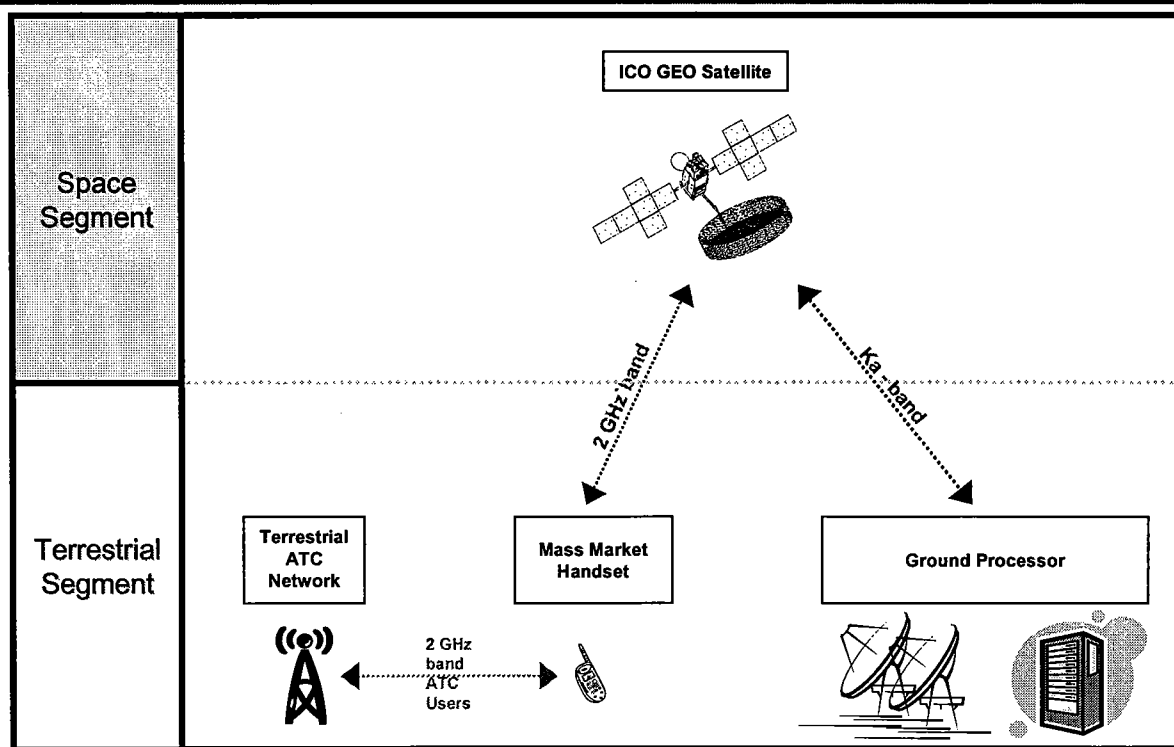
## VII. System Overview

### System Architecture

ICO, together with several industry leading vendors, has begun to build an advanced, hybrid satellite-terrestrial network that integrates ATC with an MSS system. The network is being designed to offer nationwide coverage for a variety of wireless service offerings, including voice and data communications, telematics, monitoring and messaging services, as well as other wireless applications for the consumer, commercial, maritime, military, homeland security and transportation markets.

The Company is working closely with several industry leading vendors to design and build its hybrid MSS/ATC system and is on schedule to have it certified as operational by July 17, 2007 in accordance with its FCC milestone schedule. ICO is currently under contract with Space Systems/Loral for the construction of the satellite, with the contract mirroring the prescribed milestone dates set by the FCC. ICO plans to select its launch provider by the fourth quarter of 2005, and is already in the process of designing gateway and ground based equipment. ICO's dual-mode handset will be designed and developed by mainstream vendors, with the process expected to take one year.

Figure 7.1 – ICO's GEO MSS/ATC System



The ICO MSS/ATC system infrastructure is expected to include the following:

- **User Segment** – End-user equipment capable of supporting satellite-only and dual-mode (satellite/cellular) services.

- Space Segment – One GEO satellite located at 91° west longitude (over the central U.S.). The satellite will utilize a bent pipe architecture, where the satellite “reflects” the signals between the user equipment and the gateway ground station.
- Gateway Segment – Land-based transmitting/receiving station utilizing large gateway feederlink antennas. The gateway ground station will connect to the ICO network through high-speed interconnection links and interface between the satellite and the ICO network.
- Network Management Segment – Circuit-switched and data-packet equipment to route voice and data traffic between the ICO network and the terrestrial public data, telephony and mobile network. This segment is designed to dynamically manage the network resources and spectrum allocation between the satellite network and the ATC network.
- Terrestrial Segment – ICO could partner with a terrestrial carrier to build out and operate the ATC segment of the network.

#### *User Segment*

ICO intends to work with a handset manufacturer and potentially one or more terrestrial ATC partners to design and develop dual-mode (satellite and terrestrial) handsets. These mass-market handsets are expected to be lightweight and similar to existing cellphones and PDAs.

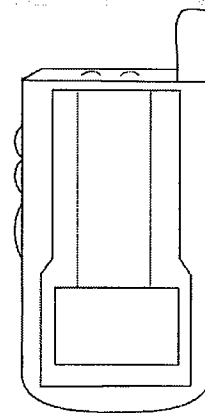
ICO believes a dual-mode (terrestrial/satellite) mobile phone that is comparable to current terrestrial mobile phones can be constructed with a relatively inexpensive new RF front end and minor changes to the software. These changes are estimated to cost an additional \$25 per handset.

**Figure 7.2 – Variations from “Standard” Wireless Phones**

#### **Dual-Mode (Terrestrial / Satellite) Phone**

- New RF Front End
  - Broader tuning range
  - 2 watt power amplifier
- Software changes
  - Minor changes to protocol stack
  - Low rate vocoder
- Estimated additional cost of \$25 per handset

#### **Handset Schematic <sup>(1)</sup>**



4.48 oz.  
3.45" x 1.96" x 0.93"

*(1) Not drawn to scale.*

The ICO user equipment portfolio is also expected to consist of several different types of handsets for specific applications, such as homeland defense, telematics, maritime and aeronautical terminals. The size and configuration of the handset/terminals will vary depending on desired service, customer preferences, and required data rates.

### *Space Segment*

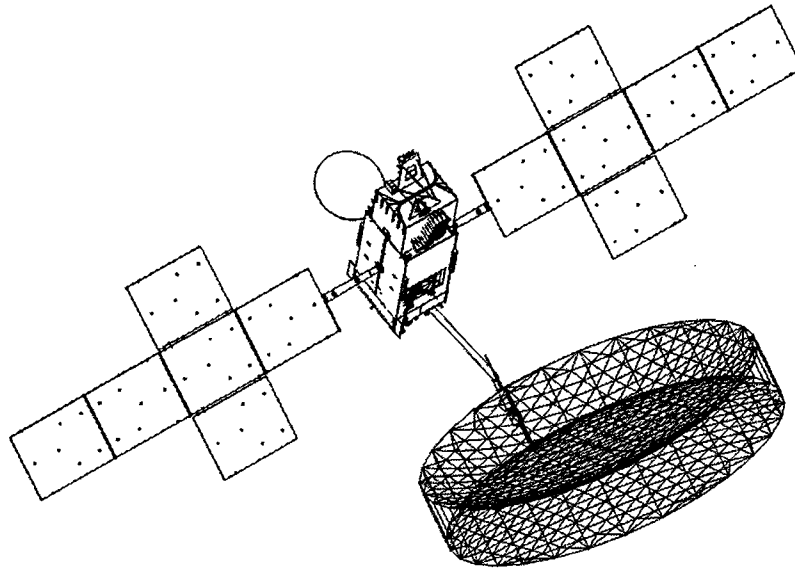
ICO expects its MSS/ATC system to operate efficiently, due to the GEO satellite system's advanced, high-power, ground-based beam forming capability. This enhanced design should support a variety of competing communications technology standards, including the global system for mobile communications (GSM), code-division multiple access (CDMA), TCP/IP, OFDM, and the latest-generation packet switching technology.

ICO's MSS/ATC system will use its portion of the 2000-2020 MHz for uplink and 2180-2200 MHz for downlink. All signals to and from users will connect back to the gateway segment using the feeder links, which will operate in the 29.25-30.00 GHz Ka-band for uplink and 18.55-18.80/19.70-20.20 GHz for downlink.

On January 10, 2005, ICO executed a contract with SS/L providing for construction of the proposed GEO satellite on a schedule consistent with the FCC requirement to commence operation by July 17, 2007. Physical construction of the ICO GEO satellite has begun. The contract provides for the satellite to be completed in May 2007 and available for launch by July 1, 2007. ICO completed the satellite critical design review phase in May 2005, and received certification of completion from the FCC.

The ICO GEO satellite design is based on a SS/L 1300 standard satellite platform that has been optimized for GEO MSS/ATC communications requirements. It features a 15-year service life and a 12 meter unfurlable reflector that focuses the 2 GHz signals on North America. The satellite dry mass without propellant is approximately 3,300 kg, and the end-of-life power is approximately 15 kW. This design is compatible with existing commercially available 4-meter fairing launch vehicles.

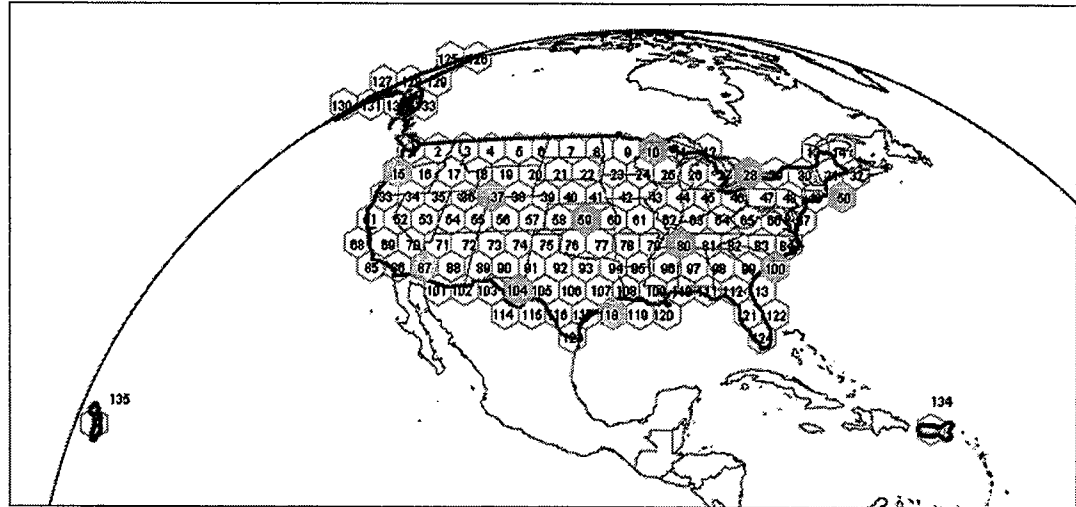
Figure 7.3 – ICO GEO Satellite



The ICO GEO satellite is expected to be equipped with a 48-element fed 2 GHz phased-array antenna capable of forming numerous user spot beams (the reference case uses 135 beams), which will enable the provisioning of continuous service coverage in the 48 contiguous states, Alaska, Hawaii, Puerto Rico, and U.S. Virgin Islands to the extent possible from a GEO satellite located at 91° west longitude. The advantage is that the same frequency (colors) can be reused multiple times across the U.S. (the reference case uses a 13 color frequency reuse scheme).

Figure 7.4 shows the representative ICO GEO Satellite spot beam patterns for the 135 beam reference case. The 48-element phased array antenna provides the capability to generate numerous spot beams, with the pointing direction of each determined by the relative phase and amplitude of the signals transmitted by the 48 elements of the antenna. The figure also illustrates the use of a 13-color frequency reuse scheme.

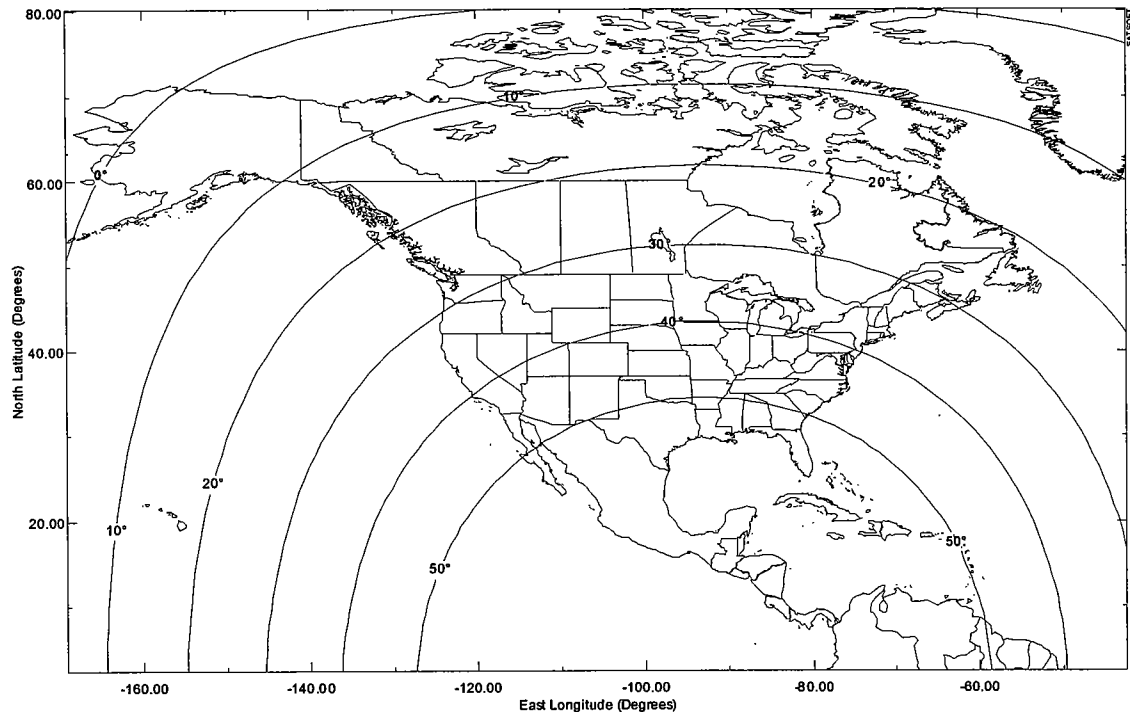
**Figure 7.4 – ICO GEO Satellite Spot Beams (shown with 13 color reuse)**



ICO's GEO satellite uses a bent-pipe payload architecture configuration in which the satellite acts like a mirror to "reflect" signals (satellite transponder) between the user equipment and the gateway ground station. In a bent-pipe system the satellite is used to relay communication between the end-user equipment and a ground station that is part of the terrestrial infrastructure. The terrestrial infrastructure, rather than satellite-to-satellite communications links, provides the connection to the destination network or end-user. The ICO GEO satellite is expected to operate up to a 6° inclined orbit. This inclined GEO orbit should allow ICO to eliminate the satellite propellant mass required to do north-south stationkeeping, and convert that mass into satellite payload traffic capability.

As shown below, the majority of the continental U.S. is above the 30° elevation angle, with the exception of the extreme Northwest corner of the continental U.S. The 91° west longitude orbital location also allows for services to Alaska and Hawaii, albeit at quite low elevation angles. Very high elevation angles, approximately 50°, provide service to Puerto Rico and the U.S. Virgin Islands. High elevation angles improve quality of service.

**Figure 7.5 – Elevation Angles to the 91° West Longitude Orbital Location**



### Gateway Segment

The ICO gateway segment consists of a remote gateway facility utilizing large Ka-band gateway feederlink antennas, along with the required gateway baseband and gateway control equipment necessary to communicate with the satellite. The ground-based beam forming (“GBBF”) equipment will also be co-located with the gateway ground station.

The gateway ground station will utilize two 11-meter Ka-band feederlink antennas which will be located far enough apart to provide site diversity to mitigate any Ka-band feederlink signal degradation during inclement weather due to the absorption effects of localized very heavy rain. The gateway ground station will track the ICO GEO satellite up to 6° inclined orbit with the gateway antennas and will manage traffic routing and satellite telemetry, tracking and command between the ground and satellite antennas so as to maintain uninterrupted communications.

ICO intends to own the entire ground segment and operate or sub-contract for its operations so as to provide consistent, high quality, high availability services, and to manage the interconnection link with the satellite.

### *Network Management Segment*

The ICO network segment includes the equipment needed to direct calls, route data traffic, provide monitoring and messaging services and manage the network. The flexible modular design should allow the ICO network to increase system capacity and functionality to accommodate new technologies. The flexible configuration of a bent-pipe system coupled with ground-based beam forming equipment should allow ICO to offer new products and services over time by upgrading only the ground-based equipment rather than the entire network.

The ICO network switches and routers will setup and manage calls on the ICO network, record service usage for billing. It will also use the network registers to facilitate routing of calls and data to the ICO user equipment and from the ICO user equipment to the terrestrial public data, telephony and mobile network.

The Network Management Center will be designed to monitor and control activity on the ICO satellite network and will work dynamically with the terrestrial ATC partner to coordinate satellite and terrestrial spectrum usage and signal power to allow both systems to work seamlessly together. The network will include both primary and back-up network management centers to ensure a high degree of reliability.

ICO intends to own the entire ICO MSS/ATC portion of the network segment and operate or sub-contract for its operations in order to provide consistent, high quality, high availability services and to manage the interconnection between the terrestrial ATC partner network, the ICO satellite network and the terrestrial public data, telephony and mobile networks.

# VIII. Company

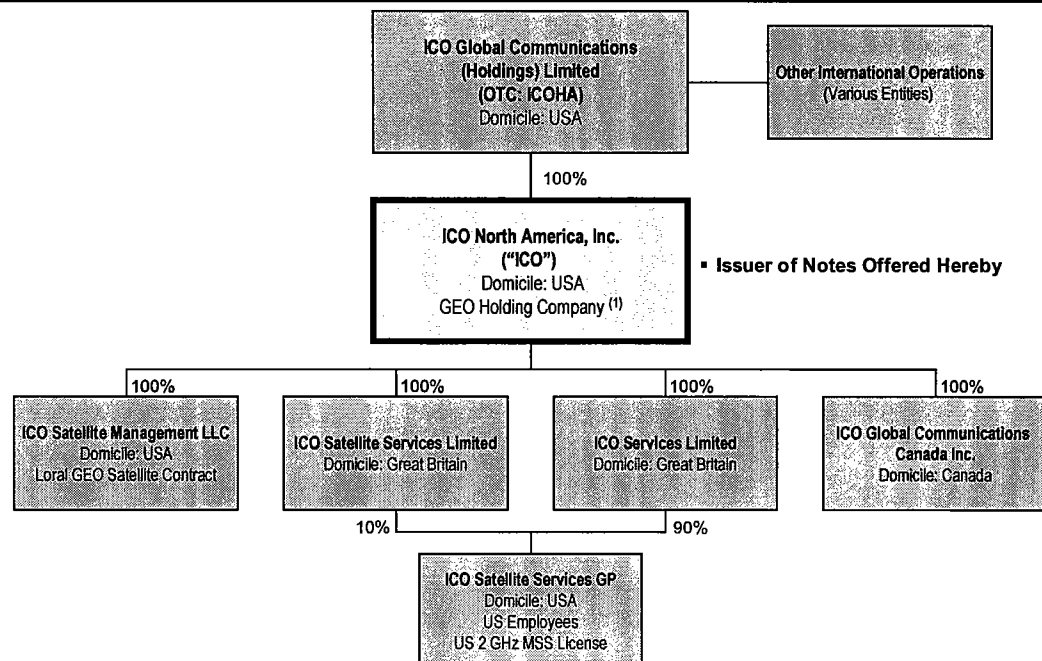
## ICO North America

ICO North America, Inc. is a next-generation MSS operator with a unique and valuable opportunity to offer ubiquitous satellite and terrestrial wireless services throughout the United States. The FCC has recently authorized MSS operators to use MSS spectrum terrestrially to provide integrated mobile satellite-terrestrial service offerings. ICO is building an advanced hybrid satellite-terrestrial system designed to provide voice, data and Internet services with handsets similar to existing cellular phones. This system is expected to enable ICO to offer integrated satellite and terrestrial mobile services and is expected to be operational in July 2007. ICO's business model includes the ability to offer its services to strategic service providers who can incorporate ICO's capabilities to offer integrated satellite and terrestrial services to their customers. ICO is actively engaged in pursuing numerous strategic partner alliances.

The Company's system will be supported by nationwide spectrum granted to it by the FCC. ICO has already been granted 8 MHz of spectrum and could potentially be granted up to 20 MHz.

ICO is a wholly-owned subsidiary of ICO Global Communications (Holdings) Limited, which is authorized to operate a global MEO satellite system. Wireless industry pioneer Craig McCaw, together with other key shareholders, have invested over \$1.2 billion in the Parent since May 2000. This investment continues Craig McCaw's vision of extending wireless communications with satellite capabilities. Figure 8.1 shows ICO's corporate organizational structure.

Figure 8.1 – ICO's Corporate Ownership Structure as of June 30, 2005



(1) ICO North America also holds a 49% interest in the successor to Mobile Communications Holding Inc. ("MCHI") and Constellation Communications Holdings, Inc. ("CCHI") and believes that, at its option, may increase its ownership to 100% in each. MCHI and CCHI are both MSS operators that are currently appealing the FCC's revocation of their 2 GHz MSS licenses in the U.S. Court of Appeals for the D.C. Circuit.



Board of Directors

Figure 8.2 – Board of Directors

Name	Position	Affiliation
Craig McCaw.....	Chairman	Eagle River Investments
Donna Alderman .....	Vice Chairman	Independent
David Wasserman.....	Director	Clayton Dubilier & Rice
Gerry Salemme.....	Director	Eagle River Investments
Tim Bryan.....	Director	Eagle River Investments

**Craig McCaw.** Mr. McCaw is currently Chairman of ICO North America and ICO Global Communications. Since 1993, Mr. McCaw has been Chairman, Chief Executive Officer and a member of Eagle River Investments, LLC, a private company formed to focus on strategic investments in the telecommunications industry. Mr. McCaw founded Clearwire Corporation in October 2003 and currently serves as the Company's Chairman of the Board, CEO and President. Mr. McCaw was a director of Nextel Communications, Inc. from July 1995 until December 2003 and a director of XO Communications, Inc. (formerly known as NEXTLINK Communications, Inc.) ("XO"), from January 1997 until January 2002. From September 1994 to July 1997, he was also XO's Chief Executive Officer. From 1974 to September 1994, Mr. McCaw served as Chairman and CEO of McCaw Cellular Communications, Inc., which he built into the nation's leading provider of cellular services in more than 100 U.S. cities, until the company was sold to AT&T Corp. in August 1994. Mr. McCaw is also a Director of RadioFrame Networks, Inc., and China Unicom Limited.

**Donna Alderman.** Ms. Alderman is currently Vice Chairman of ICO North America and ICO Global Communications and has served on the Board and numerous special committees of ICO since May 2000. Prior to that, Ms. Alderman was a founding and senior partner of Matlin Patterson Global Opportunities Fund, a private equity fund. Prior to that she was a Managing Director of Credit Suisse First Boston and co-managed the Distressed Debt and Special Situations Group there. She has held numerous senior investment and trading positions at leading investment banks, including Oppenheimer & Co. Inc., Jefferies & Company, Inc. and Bear Stearns. Ms. Alderman was educated at Vassar College and the J.L.Kellogg Graduate School of Management at Northwestern University.

**David Wasserman.** Mr. Wasserman is a partner at Clayton, Dubilier & Rice, Inc. and has been with the firm since 1998. He led the firm's investment in Culligan International and serves on its Board of Directors. He also served as the lead financial partner on Kinko's and was a member of its Board of Directors. Mr. Wasserman worked closely with Kinko's management team on the company's transformation, led CD&R's \$175 million investment in Kinko's in 2002 and negotiated the \$2.4 billion sale of the company to FedEx in 2004. Prior to joining CD&R, he worked in the Principal Investment Area at Goldman, Sachs & Co. and as a management consultant at Monitor Company. Mr. Wasserman is a graduate of Amherst College and holds an M.B.A. degree from Harvard Business School. He is a Director of Covansys and Culligan.

**Gerry Salemme.** Mr. Salemme has over 27 years of experience in the telecommunications industry. He is Executive Vice President and a Director of Clearwire Corporation, a broadband wireless service provider and equipment manufacturer deploying operations throughout the U.S. He also is a Principal of Eagle River LLC. Earlier, he was AT&T Corporation's Vice President of Government Affairs, directing AT&T's federal regulatory public policy organization, and overseeing AT&T's participation in the FCC's narrowband and broadband PCS auctions. Prior to AT&T, Mr. Salemme was Senior Vice President, External Affairs for McCaw Cellular Communications Inc. He also held the position of Senior Telecommunications Policy Analyst for the U.S. House of Representatives Subcommittee on Telecommunications and Finance. He also served as Chief of Staff to Congressman Ed Markey of Massachusetts. Mr. Salemme earned a B.A. in Political Science and Economics, and an M.A. in Economics from Boston College.

**Tim Bryan.** Mr. Bryan has served on the Board of Directors of ICO Global Communications since October 24, 2001. He also serves on the Boards of Open TV, Inc., a Liberty Media affiliate, and the Samaritan Institute. In addition, Mr. Bryan has served as a Director of Clearwire Corporation since 2004. Mr. Bryan is a private investor in, and consultant to, the telecommunications industry and private equity firms interested in investing in telecommunications businesses. Mr. Bryan previously served as the Chief Financial Officer of Eagle River, Inc., as President of United Pan-Europe Communications NV ("UPC"), and as Chief Financial Officer and member of the Office of the Chairman of United GlobalCom. Prior to United GlobalCom, Mr. Bryan served as Treasurer of Jones Intercable, Inc. Mr. Bryan has previously served on the Board of Directors of Nextel and on the Board of Management and the Supervisory Board of UPC.

## Employees

ICO currently has 13 employees, the majority of which represent senior level management personnel. The Company expects to hire 20-25 additional employees as it executes its business plan. Additionally, the Company occasionally engages third party professionals/consultants.

**Figure 8.3 – Management**

Name	Position	Industry Experience	ICO Experience
Craig Jorgens .....	President	13	4
David Bagley.....	Senior Vice President, Corporate Development	18	3
Bob Day .....	Senior Vice President, Space Systems	25	5
Suzanne Hutchings Malloy ....	Senior Vice President, Regulatory Affairs	14	5
Dennis Schmitt.....	Chief Financial Officer	10	3

**Craig Jorgens, President.** Mr. Jorgens has over 13 years of experience in the telecommunications industry and has been the President of the Parent and ICO since 2002. Prior to joining ICO he was a principal in the telecommunications group at the private equity firm of Texas Pacific Group. From 1992 to 2000 he was Executive Director of Corporate Development at AirTouch Communications, one of the world's largest wireless operators where he was responsible for mergers and acquisitions and new business development both domestically and internationally. He also has experience in management consulting and investment banking. Mr. Jorgens is a graduate of Harvey Mudd College and graduated from Carnegie Mellon's Graduate School of Industrial Administration.

**David Bagley, Senior Vice President, Corporate Development.** Mr. Bagley has been with the Parent and ICO for three years. Prior to joining ICO, he was Vice President of Business Development for IPWireless, where he was in charge of spectrum acquisition, strategic partnering and regulatory affairs. Mr. Bagley spent four years at AirTouch and Vodafone, which acquired AirTouch in 1999. He held various Corporate Development positions working on transactions throughout the world. His most recent position was head of Corporate Development for the Americas for Vodafone. Prior to AirTouch, Mr. Bagley spent eight years at SBC Communications in finance and Corporate Development positions. Mr. Bagley holds a Bachelor's degree in Accounting and Economics from Pacific University and a Master's degree in International Management from Thunderbird Graduate School of International Management.

**Bob Day, Senior Vice President, Space Systems.** Mr. Day has been with the Parent and ICO for five years. He is responsible for design, procurement, deployment, and operation of the ICO space segment. The space segment includes the ICO satellite, launch vehicle, satellite control center, and satellite operations. His areas of expertise include satellite design, integration, test, launch, operations, and system engineering. Prior to joining ICO, he was the

Vice President of Space Technology for Teledesic. Mr. Day also spent 19 years at Hughes Space and Communications where he provided system engineering leadership or served as program manager for several major geosynchronous satellite programs. He led the integration, test and launch team for the first HS601 satellite, and served as the Deputy Business Unit Leader for Spacecraft Design and Production at Hughes. Mr. Day holds a Bachelor's degree in Engineering from the University of Illinois, a Master's degree in Mechanical Engineering from UCLA, and a certificate in Astronautical Engineering from UCLA.

**Suzanne Hutchings Malloy, Senior Regulatory Counsel.** Prior to joining ICO, Ms. Malloy served as Senior Regulatory Counsel for Teledesic LLC, where she directed the company's licensing and regulatory efforts among various industry and regulatory constituencies, including the FCC, the U.S. State Department, and the International Telecommunication Union (ITU). At ICO, in addition to those general regulatory activities, her work has included filing a major satellite application, helping maintain and monitor global spectrum assets, and advocating for ICO in major rulemaking and adjudicatory proceedings before the FCC. She has also served on numerous U.S. delegations to regional and international spectrum management treaty conferences. She has also worked as an Attorney-Advisor at the FCC, where she participated in country-to-country treaty negotiations, World Trade Organization multilateral negotiations, and rulemaking proceedings before the Federal Communications Commission as a satellite industry expert, focusing primarily on licensing direct-to-home satellite operators. Ms. Malloy holds a Bachelor of Arts degree in History from Davidson College and graduated from Harvard Law School in 1986.

**Dennis Schmitt, Chief Financial Officer.** Mr. Schmitt has been with the Parent and ICO for three years. He is responsible for all accounting and financial aspects of the Company. Prior to joining ICO, he was the Assistant Controller for drugstore.com. His background also includes expertise in the wireless industry acquired through his time spent at Nextel International where he was responsible for the accounting of its global subsidiaries and Western Wireless where he was part of the SEC reporting group. Mr. Schmitt holds a Bachelor's degree in accounting from Fort Hays State University and is a Certified Public Accountant.

*Facilities*

**Figure 8.4 – Schedule of Properties Leased**

<b>Office</b>	<b>Address</b>
U.S. Corporate Headquarters	3468 Mt. Diablo Blvd., Suite B-115 Lafayette, CA 94549
Space Segment Engineering	222 N. Sepulveda Blvd., Suite 1770 Los Angeles, CA 90245
Finance / HR	2300 Carillon Point Kirkland, WA 98033
Regulatory	2000 Pennsylvania Ave., NW #4400 Washington, DC 20036
UK Company Registered Office	NMC Slough 269 Argyll Ave Slough, SL1 4HE, UK

## ICO Global Communications (Holdings) Limited

ICO Global Communications (Holdings) Limited (the "Parent") was established in 1995 to provide global, mobile communications services using a satellite network. The original business plan was based on a MEO satellite system designed to provide voice and data service to a wide-ranging customer base, including traditional mobile phone users, satellite-only users, aeronautical and maritime vessels and semi-fixed installations.

Wireless industry pioneer Craig McCaw, together with other key shareholders, has invested over \$1.2 billion since acquiring the businesses out of bankruptcy in May 2000. At that time, the company established a new management team to further develop its MEO system. In order to solve inherent weaknesses in the MSS business plan, the company devised and introduced to the FCC the concept of using MSS spectrum for ancillary terrestrial use. This would allow the company full access to urban customers, overcoming signal blockage related to buildings or terrain, giving ICO greater flexibility to provide integrated satellite-terrestrial services.

In February 2003, the FCC adopted an order granting MSS operators the authority to integrate a terrestrial component into their networks. Additionally, in May 2005 the FCC granted the company's request to develop and launch a GEO satellite covering all of North America, which vastly improved the economics. The Parent formed a new wholly-owned subsidiary, ICO North America, Inc., to focus on this compelling opportunity.

The Parent is not a public company, but trades in the over-the-counter market, with a market capitalization of \$743.5 million as of 7/15/2005. In addition to owning ICO, the Parent also owns several other subsidiaries responsible for operating a global Medium Earth Orbit satellite system. The parent-level board of directors and management team (see Figures 8.5 and 8.6) also serve in the same capacities at the ICO North America subsidiary.

**Figure 8.5 – Board of Directors**

Name	Position	Affiliation
Craig McCaw.....	Chairman	Eagle River Investments
Donna Alderman .....	Vice Chairman	Independent
David Wasserman.....	Director	Clayton Dubilier & Rice
Gerry Salemme .....	Director	Eagle River Investments
Tim Bryan.....	Director	Eagle River Investments

Figure 8.6 – Management

Name	Position	Industry Experience	The Parent Experience
Craig Jorgens.....	President	13	4
David Bagley .....	Senior Vice President, Corporate Development	18	3
Bob Day .....	Senior Vice President, Space Systems	25	5
Suzanne Hutchings Malloy.....	Senior Vice President, Regulatory Affairs	14	5
Dennis Schmitt.....	Chief Financial Officer	10	3

## Investors

Figure 8.7 represents significant investors in the Parent as of April 18, 2005.

Figure 8.7 – Current Investors			
	Shares Outstanding	Economic Interest	Voting Interest
Eagle River Investments LLC <sup>(1)</sup>	69,196,037	34.4%	69.3%
Clayton, Dubilier & Rice	13,950,000	6.9%	2.0%
CUN & Co.	9,800,000	4.9%	1.4%
Mente LLC <sup>(2)</sup>	9,300,000	4.6%	13.2%
Detemobil Deutsche	8,028,321	4.0%	1.1%
Public Float	61,180,606	30.5%	8.7%
All others	29,478,211	14.7%	4.2%
<b>Total</b>	<b>200,933,175</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Eagle River Investments LLC is an investment firm formed by Craig McCaw.

(2) Mente LLC is an investment vehicle of Bill Gates.



## IX. Description of Notes

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[PROVIDED SEPARATELY]

## X. Risk Factors

*An investment in the Notes involves a high degree of risk. You should carefully consider these risk factors, together with all of the other information included or incorporated by reference in this prospectus, before you decide to invest in the Notes. In addition to historical information, the information in this prospectus contains “forward-looking” statements about our future business and performance. Our actual operating results and financial performance may be very different from what we expect as of the date of this prospectus. The risks below address some of the factors that may affect our future operating results and financial performance. If any of the following risks, or other risks not presently known to us or that we currently believe not to be significant, develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected.*

### Regulatory Risks

#### ***ICO’s 2 GHz MSS authorization is subject to significant implementation milestones***

A significant component of ICO’s business strategy is to offer integrated MSS and ATC service. However, under FCC regulations, ICO is required to adhere to significant implementation milestones to maintain authorization to use its assigned MSS spectrum. These milestones include a successful satellite launch by July 1, 2007 and certification that the system is operational by July 17, 2007. The Company believes that it has adequate time to complete any work necessary to meet its milestone schedule. ICO bases this belief on its management team’s experience in developing and launching satellite systems, the terms of its satellite manufacturing contracts with Loral and others, and the current status of its business development progress. However, there can be no assurance that the Company will meet its milestones to the satisfaction of the existing FCC regulations. Moreover, particularly in light of the need to develop and implement a network that combines satellite services with ancillary terrestrial components, this is an aggressive schedule. In the event that the Company does not meet a milestone, it may be deemed to be in violation of applicable FCC regulations and may be subject to forfeiture of its authorization to utilize its assigned 2 GHz spectrum. The loss of ICO’s MSS authorization would have a material adverse effect on ICO’s financial position and results of operations, and would be an Event of Default of the Notes. In such situation, there is no assurance that ICO would have sufficient cash available to repay the amounts owed on the Notes.

#### ***ICO is subject to significant U.S. and international governmental regulation***

ICO’s ownership and operation of satellite and wireless communication systems is subject to regulation from the International Telecommunication Union (“ITU”), the UK Office of Communications (“OFCOM”), and the U.S. FCC. In general, laws, policies and regulations affecting the satellite and wireless communications industries are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in the U.S., the UK and at the ITU are considering, or may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect our operations or increase the cost of providing services over our system.

The ITU regulates the use of radio frequency bands and orbital locations used by satellite networks to provide communications services. The use of spectrum and orbital resources by

ICO and other satellite networks must be coordinated pursuant to the ITU's Radio Regulations in order to avoid interference among the respective networks.

Increased competition for spectrum and orbital locations may make it difficult and costly for ICO to obtain or retain the right to use the spectrum and orbital resources required for its operations. In the future, the Company may not be able to coordinate its satellite operations successfully under international telecommunications regulations and ICO may not be able to obtain or retain spectrum and orbital resources required to provide future services.

UK OFCOM submits and maintains ITU filings on ICO's behalf, pursuant to ICO's continuing compliance with UK due diligence requirements, which include obligations on ICO to proceed apace with its business plans and to comply with UK OFCOM and ITU requirements related to filings made and activities undertaken on ICO's behalf. In the event that UK OFCOM finds that ICO is not developing its satellite system consistent with OFCOM's due diligence requirements, OFCOM may refuse to further support ITU filings made on ICO's behalf. The withdrawal of support of ICO's ITU filing would have a material adverse effect on its ability to deploy its geostationary satellite system. UK law imposes an indemnification requirement on ICO in the event its satellite causes damage to another satellite in flight. ICO has obtained insurance for this risk.

The U.S. FCC must authorize foreign-licensed satellite systems like ICO that seek to serve the United States. The FCC generally regulates the construction, launch and operation of satellites, the use of satellite spectrum at particular orbital locations, the licensing of earth stations and mobile terminals, and the provision of satellite services. In addition, the development costs and requirements for a network that combines satellite services with ancillary terrestrial components is novel and without established precedent, and will require several new pieces of equipment that must be approved by the FCC.

***ICO's expectation of increased spectrum assignment may not materialize***

The FCC has allocated a total of 40 MHz of 2 GHz spectrum to MSS services in the U.S. Currently, the FCC has granted ICO authorization to provide MSS services using 8 MHz of this spectrum. The Company expects its spectrum authorization to be increased to 13.33 MHz prior to December 31, 2005, based on a FCC proposal to do so that was released for public comment on June 29, 2005. Further, ICO, along with the only other remaining 2 GHz MSS licensee, has petitioned the FCC to increase its spectrum allocation to a total of 20 MHz (representing an equal split of the 40 MHz between the two remaining MSS providers). The FCC has also sought comment on this proposal. However, there can be no assurance at this time that any increased spectrum assignment will be granted to ICO by the FCC.

Additionally, three of the original 2 GHz MSS licensees whose licenses were revoked by the FCC are contesting this revocation through either petition to the FCC or through litigation. The outcome of the petition and litigation, if resulting in a favorable outcome for any or all of these licensees, may impact the current or future allocation of spectrum to ICO. Of the three licensees whose licenses were revoked by the FCC, ICO has a minority ownership stake in two, with the right to acquire 100% ownership in each case, at its option, unless such revocation is overturned.

***ICO has not yet applied for ATC authorization***

ICO has not yet applied for ATC authorization and there can be no assurance that any such authorization request would be granted by the FCC. ICO must apply for ATC authorization separately from any satellite authorization, and cannot be granted ATC authorization unless or until it has met specific milestones for seeking and maintaining ATC authorization, including certain ATC gating criteria and the requirement to maintain a ground spare satellite within one year of launching ATC service. ICO must also apply separately for authorization for terrestrial facilities used to provide MSS/ATC services, including certification of mobile handsets and licenses for terrestrial base station facilities.

***ICO's use of the 2 GHz band is subject to successful relocation of incumbent users***

ICO's operations at 2 GHz are subject to successful relocation of incumbent BAS and other users in the band. Nextel, another new entrant to the 2 GHz band, has pledged to relocate incumbent BAS users in ICO's 2 GHz uplink spectrum, and 2 GHz MSS licensees must relocate a much smaller number of users in the 2 GHz downlink band. In view of Nextel's participation in the BAS relocation and the limited number of users in ICO's downlink band, ICO believes that it can meet the FCC requirements for relocating incumbent users prior to beginning its MSS operations. However, due to the complex nature of the BAS relocation and the need to work closely with an outside party (Nextel), there is a risk that delay in making sufficient progress in the relocation effort will delay the start of ICO's MSS operations. Any such delay would negatively impact ICO's financial position and results of operations.

***ICO intends to seek authorization to change its satellite orbital slot***

ICO has been authorized by the FCC to operate in an orbital slot for the positioning of its GEO satellite at 91 degrees west longitude. This orbital slot would present coordination challenges in the operation of the satellite. ICO will seek the necessary authorizations to operate at a different orbital slot in order to reduce or eliminate coordination issues, but there can be no assurance that ICO will be successful in that effort. If ICO is unable to obtain such authorizations, it is likely that the coordination challenges faced by ICO will be increased, which may introduce delay in securing system authorizations or affect the availability of feederlink spectrum for the ICO system.

## Business Risks

### ***Success of ICO's business plan depends on its ability to form strategic partnerships to develop its system under the constraints of various regulatory requirements***

ICO's business strategy requires it to enter into strategic partnerships with parties that can benefit from ICO's satellite and/or terrestrial network components and perform all sales, customer care and billing functions. There can be no assurances that ICO will be able to form such partnerships at terms attractive to the Company. Further, such partnerships may be subject to various regulatory requirements on operation and ownership of satellite and terrestrial assets that may significantly impact the value to a third party of entering into a strategic relationship with ICO.

### ***ICO is a development stage company with no operating revenues***

ICO is at an early stage of development and does not have any revenue-generating operations. The Company's ability to generate cash in the future depends on its ability to successfully execute its business plan and implement and manage projected growth and development. There can be no assurance that the Company will be successful in implementing its business plan.

### ***Risks associated with ICO's business plan***

The Company's business plan contemplates building an integrated satellite and ATC network. Neither ICO nor any other company in the past has developed such an integrated satellite and ATC network. There can be no assurances that ICO would be able to develop such a network in the timetable or within the total costs projected, or that it will be able to successfully sell the services provided by such a network. ICO is substantially dependent on the efforts of its suppliers to develop and deliver the satellite and other material components of the system, and there are no readily available substitute suppliers. Delays in the delivery or deployment of the satellite will be harmful to ICO.

### ***There are significant risks associated with launching and operating the satellite contemplated under ICO's business plan***

ICO's business plan contemplates operating one satellite, exposing the Company to risks inherent in satellite launch and operations, including possible delivery delays, launch failure or incorrect orbital placement. A launch failure would result in significant delays in the deployment of the satellite because of the need both to construct a replacement satellite, which can take 24 months or longer, and to obtain other launch opportunities. Such significant delays could materially and adversely affect ICO's operations. Launch vehicles may also underperform, in which case the satellite may still be placed into service by using its onboard propulsion systems to reach the desired orbital location, resulting in a reduction in its useful life. Satellites generally are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, which can occur as a result of various factors, such as satellite manufacturers' errors, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space. The Parent suffered one launch failure with its MEO system, and experienced difficulties in operating one satellite in the MEO system that was successfully launched.

While the Company has previous experience in launching and operating satellites and also expects to procure insurance for the launch and on-going operations, such insurance may not fully cover any potential loss. The Company may face delay and/or financial loss in case of a disruption in its satellite construction or operation. The Company may not always be able to obtain insurance at reasonable rates. The occurrence of a launch failure could materially adversely affect ICO's ability to insure the launch of its satellites at commercially reasonable premiums, if at all. Once launched, ICO may be unable to obtain and maintain insurance for its satellite, and the insurance it obtains may not cover all losses it experiences. A launch or operational failure of the satellite may also endanger ICO's FCC authorization in the event that satellite services cannot be promptly or fully initiated or restored.

### ***Technological risks***

The successful development of ICO's system will require that it, together with its suppliers and partners, develop several new systems. These include the integrated MSS and ATC systems, dual direction ground based beam forming for communications between the satellite and terrestrial equipment, and the development of a small, mass-market dual mode MSS/ATC handset that will meet the FCC's requirements, none of which exists today. The development and operation of its system may also infringe on as-yet unidentified intellectual property rights of others, which could require ICO to design around such rights, increasing development costs and potentially making the system operation less efficient. ICO's satellite will operate at a lower signal strength than other satellites, increasing the challenge of developing a suitable dual mode handset.

### ***ICO has no operating cash flow and will need additional liquidity to fund its operations and fully fund all necessary capital expenditures***

ICO is a development stage company and does not generate any cash from operations. The implementation of ICO's business plan, including the construction and launch of a satellite system and the necessary terrestrial components of an ATC-based communications system will require significant funding, including substantial construction milestone payments for the satellite and control system. It is unclear when, or if, the Company will be able to generate sufficient cash from operations to cover its expenses and fund capital expenditures. The net proceeds of this offering will not be sufficient to fund ICO's expenses through deployment of its network and commencement of revenue-generating operations. There can be no assurance that ICO will be able to find additional required funding in the amounts or at the time the funds are required. Further, as a private company, ICO's ability to raise additional funds may be limited. Moreover, terms of the Notes being issued hereby restrict ICO's ability to incur additional indebtedness.

### ***ICO is expected to incur significant losses for the foreseeable future***

ICO does not have any operating revenues and has incurred net losses since it began operations. The Company expects to continue to have losses in the future. If it does not become profitable, the Company will have difficulty obtaining funds to continue its operations, and may have insufficient cash to repay its obligations on the Notes.

### ***Spectrum values historically have been volatile***

A large part of ICO's business plan involves forming strategic partnerships and realizing value for its spectrum and network assets. Values that the Company may be able to realize from

such partnerships would depend in part on the value ascribed to the Company's spectrum. There are limited valuation precedents for ICO's 2 GHz spectrum. Valuations of spectrum in other frequency bands have historically been volatile and there can be no assurance on the value a partner would be willing to pay ICO for its spectrum and other assets. In addition, to the extent that the FCC conducts new auctions of radio spectrum that can be used for MSS or mobile terrestrial uses, or takes other action that will promote the more flexible use or greater availability (e.g., via spectrum leasing) of existing satellite or terrestrial spectrum allocations, the availability of such additional spectrum could have a material and adverse effect on the value of the spectrum authorizations held by ICO.

***ATC spectrum access is limited by technological factors***

ICO will operate with the authority to use a finite quantity of radio spectrum. Spectrum used for communication between the satellite and the ground will not be available for use in the ATC component of its network. In addition, communications with the satellite may interfere with portions of the spectrum that would otherwise be available for ATC use, further diminishing the availability of spectrum for the ATC component to an extent that cannot be quantified at this time.

***Any changes in control of ICO are subject to prior FCC approval***

Any investment in ICO that could result in a change of control of ICO would be subject to prior FCC approval. Any such request for FCC approval would involve a lengthy FCC review period prior to consummation of the change of control. There can be no assurance that an FCC approval could be obtained in a reasonably timely fashion, and the FCC could impose new or additional license conditions as part of any review of such a request. It must be emphasized that ICO's authorization consists of a reservation of 2 GHz spectrum for the provision of mobile satellite service in the U.S., and it is unlikely that the FCC will authorize separate transfer of any related ICO authorization (e.g., feeder link spectrum authorization or ATC authorization).

***ICO faces significant competition from companies that are larger or have greater resources***

ICO may face significant competition from companies that are larger or have greater resources, and from the introduction of new technologies and new wireless spectrum. While ICO plans to be one of the first companies to offer integrated satellite and ATC-based terrestrial service offerings, in parts of its business it will face competition from many well-established and well-financed competitors, including existing cellular/PCS operators who have large established customer bases. Many of these competitors have substantially greater access to capital than ICO and have significantly more operating experience. Further, due to their larger size, many of these competitors enjoy scale benefits that are not available to ICO. ICO may also face competition from other MSS operators planning to offer integrated satellite and ATC services. In addition, the FCC could make additional wireless spectrum available to new or existing competitors. Finally, ICO may also face competition from the entry of new competitors or from new technologies and there can be no assurances how these will impact ICO's business plan.

***ICO may not be able to develop, acquire and maintain proprietary information and intellectual property rights necessary to maintain its operations and future growth***

Success of ICO's business strategy depends, in part, on its ability to develop or acquire technical know-how and remain current on new technological developments. While the Company has developed or acquired significant technical knowledge in the past, there is no assurance that it can continue to access required technologies or be able to protect its intellectual property.

***ICO faces burdens relating to the recent trend toward stricter corporate governance and financial reporting standards***

New legislation or regulations that follow the trend of imposing stricter corporate governance and financial reporting standards, including compliance with the Sarbanes-Oxley Act of 2002, may impose restrictions and additional costs on ICO. Additionally, it is unclear what additional laws or regulations may develop, and the ultimate impact of any future changes cannot be predicted.

***ICO is dependent on key personnel***

ICO's success is dependent on the performance of certain key personnel. The loss or lack of availability of these employees could have a material adverse effect on the ability of ICO to perform as contemplated by its business plan.

***Deferred tax liability***

As a result of the reorganization that separated the assets of ICO and the Parent, a subsidiary of ICO realized a taxable gain under UK tax law, with a resulting tax liability of approximately 2.7 million pounds sterling. ICO believes that this tax liability will be deferred for as long as the Parent owns more than 50% of ICO and ICO's capital structure remains the same. Parent has the right to convert its common stock of ICO to the same class of common stock into which the Notes are convertible, and if it did so, or if sufficient shares were issued to holders of the Notes or others, this tax liability would be triggered. There can be no assurance that such events will not occur at some time in the future.



## **Risks Related to the Parent**

### ***Lack of Revenue Generating Operations***

The Parent was restructured in a bankruptcy, and since then has had no significant operations or revenues. It has no current plan to develop or commence any operations in the future other than the network being developed by ICO. It continues to incur expenses, which must be funded out of cash reserves or the proceeds (if any) of future financings. It does not have current audited financial statements.

### ***Potential tax liability***

The Parent realized a taxable gain on the disposition of certain securities in 2003 of in excess of \$300,000,000. This gain was offset by losses incurred on the abandonment of the Parent's prior network in 2003. The Parent is currently being audited for tax year 2003 by the Internal Revenue Service. While The Parent believes that it properly treated and reported all items of gain and loss, the disallowance of the deductions claimed would have a material adverse effect on the Parent. Moreover, ICO could be jointly and severally liable for all of the Parent's federal income tax liabilities. Consequently, the disallowance of the deductions claimed also could have a material adverse effect on ICO.

### ***Legal Proceedings and Expenses***

The Parent is engaged in litigation with Boeing arising out of agreements for the development and launch of its MEO satellites. The Parent has asserted counterclaims that it believes are meritorious in this litigation, but anticipates that expense of pursuing this litigation will be material. Subsidiaries of the Parent had agreements with 9 operators of foreign gateways for its MEO system, and have successfully terminated 4 of those agreements. Five of the agreements have not yet been formally terminated, and there can be no assurance that there will not be costs associated with further terminations at the ICO level but it is not expected that the Parent will incur material additional costs in terminating those agreements.

## Risks Related to the Notes

***The Company does not generate sufficient cash to repay the Notes or to fund its interest obligations***

As a development stage company, ICO does not generate any operational cash flow. Under the terms of the Notes the Company would be required to keep in escrow sufficient funds to meet the first four scheduled interest payments. However, the Company's ability to make future interest payments and repay the notes upon maturity will depend on its ability to generate operating cash and/or raise additional financing.

***The Company's substantial indebtedness could adversely affect its ability to execute its business plan and to obtain additional financing***

Following this Offering, the Company will have substantial indebtedness. The Company's substantial debt could have important consequences to the holders of the Notes. For example, it could adversely affect the Company's ability to raise future financing, subject the Company to restrictive covenants and increase its vulnerability to general adverse economic and industry conditions.

***The Company may not have the ability to finance the change of control repurchase offer required by the indenture governing the Notes***

Upon a change of control, as that term is defined in the indenture governing the notes, the Company will be required to make an offer to purchase the Notes at par plus the coupon rate and unpaid interest, if any, to the date of purchase, and a pro rata share of the funds held in escrow to meet the Company's interest obligation through the 2nd anniversary of issuance.

The source of funds for any such repurchase would be any available cash or cash generated from operations or other sources, including borrowings, sales of equity or funds provided by a new controlling person or entity. There can be no assurance that sufficient funds will be available at the time of any change of control event to repurchase all tendered Notes pursuant to this requirement.

***There is no public market for the Notes or for the ICO common stock issuable upon conversion, and there cannot be any assurance that a market for the Notes or for the ICO common stock will develop***

The Notes are a new issue of securities for which there is no trading market. The Company does not intend to have the Notes listed on a national securities exchange. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar securities and other factors, including general economic conditions, the Company's financial condition, performance and prospects, and the prospects for companies in the Company's industry generally.

The Notes are convertible from the date of issuance at any time, at the Noteholder's option, into common stock of the Company and, under certain conditions, into common stock of the Parent. All of the Company's common stock is currently held by the Parent and there is no established market for the securities. The Parent's common stock is not registered on a national securities exchange and trades over-the-counter with limited trading volume.

***Resale of the Notes and the common stock issuable upon conversion of the Notes is restricted***

The Notes and the common stock issuable upon conversion of the Notes have not been registered under the Securities Act or any state or foreign securities laws. Therefore, unless they are registered, the Notes and the common stock issuable upon conversion of the Notes may not be offered or sold except pursuant to an exemption from registration under the Securities Act and or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, selling Noteholders may, under current law, have a limited number of methods available for reselling the Notes and the common stock issuable upon conversion of the Notes.

***Interests of holders of the Notes may conflict with the interests of the Parent's controlling stockholder***

Eagle River and its affiliates beneficially own and control 69% of the voting power of the Parent's outstanding capital stock. As a result, Eagle River has control over the outcome of matters requiring stockholder approval, including:

- the power to elect the Parent's directors and the directors of the Company;
- amend the Company's charter or by-laws; and
- adopt or prevent mergers, consolidations or the sale of all or substantially all of the Company's assets or the assets of its subsidiaries.

Eagle River also will be able to prevent or cause a change of control relating to the Company, which may delay or prevent a change in control of the Company or cause a change in control, which could trigger an offer to repurchase the Notes under the terms of the Notes.

Eagle River may in the future make significant investments in other telecommunications companies. Some of these companies may compete with ICO. Eagle River and its affiliates are not obligated to advise the Company of any investment or business opportunities of which they are aware, and they are not restricted or prohibited from competing with the Company.

***The ability to foreclose on the collateral may be limited by applicable bankruptcy laws and on the rules and regulations of the FCC***

Bankruptcy laws could prevent the collateral agent for the notes from repossessing and disposing of the collateral securing the notes upon the occurrence of an event of default if a bankruptcy proceeding is commenced by or against ICO before the collateral agent repossesses and disposes of the collateral. Under federal bankruptcy laws, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from the debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use the collateral (and the proceeds, products, rents or profits of its collateral) so long as the secured creditor is given "adequate protection." The meaning of the term "adequate protection" may vary according to the circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral. The court may find "adequate protection" if the debtor pays cash or grants additional security for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term "adequate protection"

and the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent could repossess or dispose of the collateral or whether or to what extent holders of the notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of "adequate protection." Moreover, current FCC policy prohibits the grant of a security interest in an FCC license or authorization. As a result, although holders of the notes will be granted a security interest in the stock of ICO's subsidiaries that hold ICO's FCC licenses and authorizations, and in the proceeds of such licenses and authorizations, holders of the notes will not have a direct security interest in such licenses and authorizations.

## XI. Financial Overview

### Selected Projected Financial Data

(\$Millions)

The financial projections assume ICO completes the build-out of the MSS portion of the ICO MSS/ATC System and partners with one or more terrestrial partner(s) to fund the construction of the spare satellite required for ATC authorization. In addition, ICO expects the terrestrial partner(s) to provide the terrestrial network portion of the ICO MSS/ATC System. The Company expects that the total funding needed to complete the MSS portion of the ICO MSS/ATC System will be approximately \$600 million, excluding interest expense. The system is expected to be completed in July 2007. ICO has no obligation, and does not intend to, update or correct these financial projections, including any updates based on changes in conditions or performance after the date of this memorandum. See the qualifications contained in "Forward Looking Statements". Please see the data room for full financial statements.

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
General & Administrative	\$ 10.3	\$ 18.6	\$ 20.6	\$ 20.0	\$ 20.0
Satellite Operations	-	-	1.9	3.0	3.0
Satellite In-Orbit Insurance	-	-	-	9.1	9.1
Gateway System Operations	-	-	5.0	8.0	8.0
Network System Operations	-	-	6.9	11.0	11.0
<b>Total Operating Expenses</b>	<b>10.3</b>	<b>18.6</b>	<b>34.3</b>	<b>51.1</b>	<b>51.1</b>
<b>MSS Capital Expenditures<sup>(1)</sup></b>	<b>\$ 148.1</b>	<b>\$ 223.2</b>	<b>\$ 187.8</b>	<b>\$ 12.0</b>	<b>\$ 12.0</b>

(1) MSS capital expenditures exclude the cost of a spare satellite, estimated to be \$175 to \$225 million.

## Operating and Capital Expenditures Assumptions

### *Operating Expenses*

Operating Expenses are mainly related to the operation, maintenance and insurance of the satellite and network systems. Projections are based on the Company's expectation of the necessary personnel and equipment in each category to operate and maintain the ICO MSS/ATC System. The expenses are comprised of the following:

- Satellite Operations includes 24-hour monitoring of the satellite system and the costs of all necessary replacement equipment. Satellite Operations ensures the health and status of the satellite by monitoring telemetry data and related information
- Satellite In-Orbit Insurance is insurance that begins after the first year of operation (first year covered by launch insurance), and provides for the replacement of an additional satellite, launch vehicle and insurance cost
- Gateway System Operations are responsible for 24-hour support of the ground system. This ensures that the health and status of the gateway, related equipment and antennas
- Network System Operations processes user traffic, is the network for satellite resources, and the interface into the satellite. Network System Operations manages personnel that ensure proper ATC spectrum sharing

The satellite operating expenses all commence in mid-2007 and are in conjunction with the launch of the satellite system. They are projected to be constant quarterly costs, with the exception of the Satellite In-Orbit Insurance which is paid in the second quarter of each year.

### *Employees and General and Administrative Expenses*

General and Administrative expenses are primarily driven by the number of employees and for advisory services used. General and Administrative is broken down by:

- Compensation and Benefits
- Director and Officer Insurance
- Legal and Professional Fees
- Other General and Administrative

General and Administrative expenses are highly dependant on the Company's headcount. There are currently 13 employees, and the Company projects that this number will increase to approximately 35 by the third quarter of 2006.

### *Capital Expenditures*

Capital expenditures are used to fund the building and launch of the satellite as well as other capital requirements needed for the satellite system, and are comprised of the following:

- ICO GEO Satellite Capital Expenditures are broken down by GEO Satellite expenditures, ground-based beam forming ("GBBF") expenditures, Launch expenditures and Risk Management. The Company has projected capital expenditures based on the actual monthly payment plan as agreed upon with Space Systems / Loral. Additionally, the Company has budgeted for the launch vehicle. The Risk Management component assumes a launch and in-orbit rate of 20% for insurance
- ICO GEO Ground Spare Satellite Capital Expenditures are projected based on the option price included in the SS/L contract. The monthly payments begin in the fourth quarter of 2006 based on that contract
- ICO GEO System Expenditures are broken down by System Development and Services, Ground Equipment, User Equipment and Network

Maintenance Capital Expenditures begin in the first quarter of 2008, as all GEO Satellite and GEO System expenditures are projected to have been completed. Maintenance Capital Expenditures are based on an assumption of \$5.0 million per quarter.

## Historical Financial Results

### Historical Income Statement <sup>(1)</sup> (\$Millions)

	6 Months Ended 6/30/05	Year Ended 12/31/04
	(Unaudited)	
Revenue from Affiliates	\$ 1.3	\$ 6.0
<u>Operating Expenses</u>		
General and Administrative Expenses	2.0	7.6
Expenses from Affiliates	0.9	2.2
Total Operating Loss	1.7	3.7
Interest Income	(0.0)	(0.0)
Loss (gain) on disposal of assets	0.0	6.2
Other expense (income)	6.9	(1.0)
Loss (income) before income taxes	8.5	8.8
Income Tax Expense	0.0	-
Net Loss (Income)	8.5	8.8

(1) Consolidated results for all periods presented have been restated retroactively for the effect of the June 2005 mergers with ICO Satellite Services Limited and ICO Services Limited, accounted for as common control mergers. These results are preliminary only, and are subject to substantial adjustments in addition to normal year-end audit adjustments.



**Historical Balance Sheet <sup>(1)</sup>**  
(\$Millions)

	As Adjusted As of	
	6/30/05	12/31/04
	(Unaudited)	
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 1.1	\$ 0.1
Prepaid Expenses and Other Current Assets	0.0	0.3
Income Tax Receivable	0.8	0.9
Receivable from affiliates, net	-	18.6
Total Current Assets	2.0	19.9
Construction in Progress	9.5	-
Deposits	0.1	0.1
Total Assets	<u>\$ 11.5</u>	<u>\$ 19.9</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Accounts Payable	0.4	0.0
Accrued Payroll	0.1	0.3
Total Liabilities	0.6	0.3
<b><u>Stockholders' Equity</u></b>		
Common Stock, \$.001 par value, 100 shares authorized, 100 shares issued and outstanding at Jun 30, 2005 & Dec 31, 2004	-	-
Additional Paid-In Capital	47.4	50.5
Accumulated Other Comprehensive Loss	11.0	8.0
Accumulated Deficit	(47.5)	(38.9)
Total Stockholders' Equity	<u>\$ 10.9</u>	<u>\$ 19.6</u>
Total Liabilities and Stockholder's Equity	<u>\$ 11.5</u>	<u>\$ 19.9</u>

(1) Consolidated results for all periods presented have been restated retroactively for the effect of the June 2005 mergers with ICO Satellite Services Limited and ICO Services Limited, accounted for as common control mergers. These results are preliminary only, and are subject to substantial adjustments in addition to normal year-end audit adjustments.

## XII. Glossary

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### *2 GHz Band*

Also referred to as the S – band, the 2 GHz band MSS spectrum is comprised of a total of 40 MHz, with 20 MHz in the 2000-2020 MHz band for uplink and 20 MHz in the 2180-2200 MHz band for downlink. The 2 GHz is adjacent to PCS (below) and AWS (above) in the uplink spectrum and AWS (below) in the downlink spectrum.

### *Advanced Wireless Services (“AWS”) Spectrum*

The FCC is currently working to finalize service rules and auction additional spectrum for mobile wireless use, labeled AWS, which can be used to offer a variety of wireless services, including Third Generation (“3G”) mobile broadband and advanced wireless services. Auctions for AWS spectrum are proposed to start as early as 2006.

### *Ancillary Terrestrial Component (“ATC”)*

A component to an MSS satellite system that will permit MSS operators in the 2 GHz band, L – Band and Big LEO band to offer terrestrial mobile services on land, in the air and over oceans as a part of their overall MSS service offering without using any additional spectrum resources beyond spectrum already allocated and authorized by the FCC for MSS use.

### *Bandwidth*

The relative range of frequencies that can be passed through a transmission medium without distortion (normally with respect to one channel). Bandwidth is measured in Hertz.

### *Base Station*

Transmitter, receiver, antenna, signaling and related equipment located at each cell site.

### *Big LEO (Low Earth Orbit)*

In 1994, the FCC allocated the 1610-1626.5 MHz (uplink) and 2483.5-2500 MHz (downlink) bands to the Big LEO MSS operators, Globalstar and Iridium. Big LEO is adjacent to GPS / RNSS and shares spectrum with RAS in the uplink band and is adjacent to BAS, ISM, ENG, FSS, MMDS / ITFS and FSS in the downlink band.

### *Broadcast Auxiliary Services (“BAS”)*

BAS includes mobile TV pickups which relay signals from a remote location, back to the studio. Broadcast auxiliary microwave stations are used for relaying these broadcast television signals. They can be used to relay signals from the studio to the transmitter, or between two points, such as a main studio and an auxiliary studio.

### *Cell*

A physical area in which radio frequency (“RF”) coverage is provided by a base station.

### *Cell Splitting*

The process of creating more coverage and capacity in a wireless system by having more than one cell site cover a particular amount of geography. Each cell site covers a smaller area, with lower power MHz and thus offers the ability to reuse frequencies more times in a larger geographic coverage area, such as a city or MTA.

### *Code Division Multiple Access ("CDMA")*

CDMA is a spread spectrum technology that assigns a code to all speech bits, sends a scrambled transmission of the encoded speech over the air and reassembles the the speech to its original format. The major benefits of CDMA are increased capacity (up to 10 times analog) and more efficient use of spectrum.

### *Digital*

Describes a method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of discrete, distinct pulses to represent information, as opposed to the continuously variable analog signal.

### *Dual-Mode Handset*

Refers to a handset capable of operation in both satellite and terrestrial networks.

### *Electronic News Gathering ("ENG") Equipment*

ENG originally referred to the use of point-to-point terrestrial microwave signals to backhaul the remote signal to the news studio, however, in modern news operations it also includes SNG (satellite news gathering) and DSNG (digital satellite news gathering). Specifically, it refers to the technical means of gathering audio and video. ENG is adjacent to the Big LEO downlink band in the spectrum below 2483.5 MHz.

### *EV-DO*

Evolution Data Only or Evolution Data Optimized, is a wireless radio broadband data protocol being adopted by many CDMA mobile phone providers as part of the CDMA2000 standard. EV-DO can support more complex data-oriented wireless applications.

### *Federal Communications Commission ("FCC")*

The Federal Communications Commission is an independent U. S. government agency, directly responsible to Congress. The FCC was established by the Communications Act of 1934 and is charged with regulating interstate and international communications by radio, television, wire, satellite and cable.

### *Fixed Microwave Services ("FS")*

Terrestrial microwaves for point-to-point communications to and from fixed-facilities.

### *Fixed Satellite Services ("FSS")*

A satellite service which uses terrestrial earth stations as specified fixed points when one or more satellites are used.

### *Frequency*

A specified band or range within the overall spectrum of electromagnetic radio waves to be used as a channel for sending or receiving communications. In practice, the term is used to describe the rights granted by license from a governing body such as the FCC to operate a radio-communications system using that band in a specified geographic location.

### *Ground Based Beam Forming ("GBBF")*

GBBF is the method of processing the communication signals at the gateway, such that the satellite can form many spot beams. GBBF offers many advantages over beamforming at the satellite antenna. First, a beamformer on the ground can be replaced if a failure occurs. Second, the number of independent beams can be much greater on the ground than can be possibly placed on-board a satellite. Third, the number of independent beams can be expanded, if needed, after the satellite is on orbit allowing for greater system flexibility. Finally, the beamforming algorithms can evolve and improve with technology, if beamforming is accomplished on the ground. All of these factors yield a greatly increased satellite return on investment.

### *Geostationary Earth Orbit ("GEO") also known as Geostationary-satellite-orbit ("GSO")*

The orbit matches the identical speed of the rotation of the earth allowing the satellite to always appear in the same position in the sky. The satellites are positioned 22,200 miles above the earth. This type of satellite system offers advantages over MEO and LEO systems such as longer satellite life, incremental global coverage region by region, easy satellite / terrestrial interoperability and broadcast / dispatch functionality.

### *GPS (Global Positioning System)*

GPS is a worldwide MEO satellite navigational system formed by 24 satellites orbiting the earth and their corresponding receivers on the earth. The satellites orbit the earth at approximately 12,000 miles above the surface and make two complete orbits every 24 hours. The GPS satellites continuously transmit digital radio signals that contain data on the satellites location and the exact time to the earth-bound receivers.

### *Industrial, Scientific and Medical ("ISM") Equipment*

The term ISM is often associated with equipment or applications used with the industrial, scientific or medical environments. For example, a microwave oven would qualify as an ISM.

### *L – Band*

The L – Band is the general designation for frequencies from 1-2 GHz. The L – Band MSS spectrum range is 1525-1544 MHz and 1545-1559 MHz for downlinks and 1626.5-1646.5 MHz and 1646.5-1660.5 MHz for uplinks.

### *Low Earth Orbit ("LEO") Satellite Network*

The satellite orbit is not equatorial and is situated about 60-750 miles above the earth. Usually, such a network will have 30-66 global satellites in a "constellation." Globalstar and Iridium both use a LEO constellation configuration.

### *Medium Earth Orbit ("MEO") Satellite Network*

The orbit is approximately 6,000 to 12,500 miles above the earth and has a typical configuration of about 8-12 satellites. An example of a MEO system is GPS that operates adjacent to the L – Band spectrum below 1610 MHz.

### *Megahertz ("MHz")*

One million Hertz. One million cycles per second. Used to measure band and bandwidth.

### *MHz POPs*

A MHz POP is determined by taking a company's spectrum, measured in MHz, and multiplying it by the number of people in the covered region. POP is shorthand for "population."

### *Minutes of Use ("MOUs")*

A unit of measure used by communications companies typically measured as one minute of connection time.

### *Mobile Earth Terminals ("METs")*

In satellite communications systems, the mobile equipment of handsets used to communicate with the satellite.

### *Mobile Satellite Services ("MSS")*

MSS is defined by the FCC as a radiocommunication service: (1) between mobile earth stations and one or more space stations, or between space stations used by this service; or (2) between mobile earth stations, by means of one or more space stations. This service may also include feeder links necessary for its operation.

### *Mobile Satellite Ventures ("MSV")*

A 49% owned subsidiary of Motient Corporation, MSV is currently developing a system in the L – Band. MSV is also the first provider to receive an ATC grant from the FCC.

### *MP3*

The most popular name for MPEG Layer 3 encoding, a digital encoding mechanism that produces the highest sound quality for a given bit rate.

### *Non-Geostationary Satellite Orbit ("NGSO")*

An NGSO system is one in which the satellite is not in a geostationary earth orbit, and can continue to move relative to the user and gateways.

### *Orthogonal Frequency Division Multiplexing ("OFDM")*

A technology that transmits multiple signals simultaneously over a single transmission path at precise frequencies, such as a cable or wireless system.

### *Personal Communications Service ("PCS") Band*

PCS encompasses a wide variety of mobile, portable and ancillary communications services to individuals and businesses. The FCC broadly defines PCS as mobile and fixed communications offerings that serve individuals and businesses, and can be integrated with a variety of competing networks. The spectrum allocated to PCS is divided into three major categories: (1) broadband, (2) narrowband, and (3) unlicensed. Broadband PCS operates adjacent to the 2 GHz uplink band in the 1850-1990 and 1930-1990 MHz spectrum.

### *Personal Digital Assistants ("PDAs")*

Consumer electronic handheld devices that can connect to the Internet, act as global positioning system ("GPS") devices, and run multimedia software.

### *Satellite Radio Service*

A service that features the delivery by satellite of digital audio signals directly to cars and other mobile users equipped with a very small receiving antenna. The service is in many respects the radio analogue to DBS TV systems. Sirius Satellite Radio and XM Satellite Radio are the two operational satellite DARS providers in the U.S.

### *Site*

The geographic location of a single base station or repeater in a radio communications system. Multiple sites may be used to provide extended system coverage. In a multi-site configuration with call hand-off between base stations, base stations are located so that the coverage areas of individual stations overlap to facilitate continuous coverage.

### *Spectrum*

A term generally applied to radio frequencies.

### *Subscriber*

The user of an individual handset. In some cases, a client or customer equates to a subscriber, in other cases one client includes multiple subscribers.

### *Switching*

The telecommunications computer at the core of the wireless network, where calls are automatically controlled, monitored and handed off from one cell site to another, and in which calls are interconnected with the landline network or other terrestrial wireless networks.

### *Time Division Duplexing ("TDD")*

TDD separates in time the downstream and upstream directions of signal traffic. TDD only uses a single frequency for both downstream and upstream traffic. As a result, TDD provides advantages such as flexibility with traffic asymmetry, efficiency, reduced cost, simplicity, channel reciprocity and dynamic resource allocations.

### *Third Generation ("3G") Broadband Services*

Key features of 3G systems are a high degree of commonality of design worldwide, compatibility of services, use of small pocket terminals with worldwide roaming capability, Internet and other multimedia applications, and a wide range of services and terminals. Most 3G systems are expected to have the capability to support circuit and packet data at high bit rates, interoperability and roaming through common billing / user profiles, support of multimedia services / capabilities and the capability to determine geographic position of mobiles and report it to both the network and the mobile terminal.

### *Wireless Broadband*

Transmission facilities that have bandwidth or capacity greater than that of a voice line. Capable of carrying numerous voice, video and data channels simultaneously.